STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY GRAY DAVIS, *Governor*

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT
OFFICE OF THE DIRECTOR
1600 9th Street, Room 433
Sacramento, California 95814
916) 654-1606 FAX (916) 653-1448

January 15, 1999

The Honorable Gray Davis
Governor of California
State Capitol
Sacramento, California 95814

Dear Governor Davis:

I am pleased to transmit to you the biennial Actuarial Study for California's Health Facility Construction Loan Insurance Program, better known as the Cal-Mortgage Program, which is administered by the Office of Statewide Health Planning and Development. The Actuarial Study was completed by Ernst & Young LLP, and addresses the following two issues: 1) the reserve sufficiency of the Health Facility Construction Loan Insurance Fund (HFCLIF) as of June 30, 1998; and, 2) the risk posed to the State General Fund from the Cal-Mortgage Program. The previous study was performed by William M. Mercer, Incorporated, dated as of June 30, 1996 (1996 Study).

As to the first question, Ernst & Young finds that the HFCLIF reserves are sufficient and that, assuming "normal and expected" conditions, the HFCLIF should maintain a positive balance over the long term. As to the second question, Ernst & Young finds that the only risk to the General Fund would derive from extraordinary events of such a magnitude that default rates in the Cal-Mortgage Program triple and, at the same time, one of the largest insured projects also defaults. Ernst & Young notes that such a worst-case scenario is highly unlikely and that, even if it did occur, Cal-Mortgage would still have funds for a minimum of ten years.

Consistent with prior actuarial studies, Ernst & Young also compared the HFCLIF reserve level with that which would be required under the standards of the Department of Insurance (DOI) if Cal-Mortgage were a private insurance company. In this regard, it is important to note that the DOI standards require that private insurers have front-end capitalization of at least $75 million before they can be licensed to do business in California. As the Legislature placed the "full faith and credit" of the State behind Cal-Mortgage loan guarantees, it did not "capitalize" the Cal-Mortgage Program. All of the HFCLIF reserves, $130.4 million as of June 30, 1998, have been derived from Program "earnings" over the past 26 years. Nonetheless, if the DOI standards were applied to Cal-Mortgage, the reserve requirement would total $216.6 million as of June 30, 1998 -- $86.2 million more than HFCLIF reserves at that time. While the DOI standards do not apply to Cal-Mortgage and the Program was not capitalized to meet the DOI reserve requirements, OSHPD believes it is a prudent and appropriate goal to achieve a reserve level consistent with DOI requirements in order to minimize risk to the General Fund. The Program is progressing toward that goal. Compared to the 1996 Study, the current study calculates that Cal-Mortgage is now $10.8 million closer to meeting the DOI standard.

Further, I am pleased to report to you that, within the next 10 days, over $30 million will be transferred to the HFCLIF as part of the Office's settlement with Goldman, Sachs & Co. in litigation stemming from the default of the single largest loan insured by Cal-Mortgage, Triad Healthcare. These funds, and the $20 million in recoveries from related litigation which has been guaranteed by Goldman Sachs, will bring the HFCLIF very close to the DOI standard.

In conclusion, OSHPD is very pleased with the outcome of this independent actuarial analysis of the Cal-Mortgage Program. OSHPD remains committed to continuing careful management of the Cal-Mortgage Program in order to benefit communities throughout California, at no cost to State taxpayers. We will continue our close review of applications for loan insurance to assure that only needed and financially feasible projects are insured, careful monitoring of insured projects, and a proactive approach to assist insured facilities which experience financial difficulties.

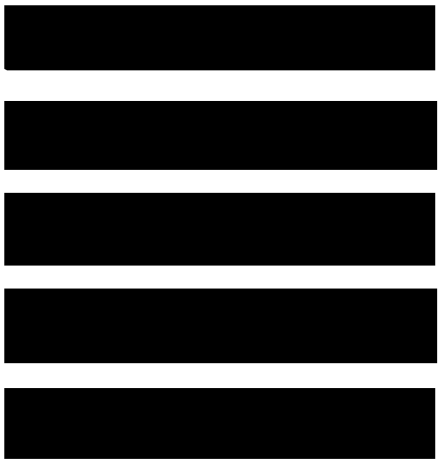
If your staff have any questions or require any additional information regarding this Actuarial Study or the Cal-Mortgage Program in general, please let me know.

Sincerely,

David Werdegar

David Werdegar, MD, MPH
Director

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT



CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA'S HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

HEALTH FACILITY CONSTRUCTION LOAN INSURANCE FUND

ACTUARIAL STUDY

AS OF JUNE 30, 1998

DECEMBER 1998

ERNST & YOUNG LLP

ERNST & YOUNG LLP

515 South Flower Street
Los Angeles, California 90071

Phone: 213 977 3200

December 30, 1998

Mr. Dennis T. Fenwick, J.D., Deputy Director
OSHPD
Cal-Mortgage Loan Insurance Division
818 K Street, Suite 210
Sacramento, CA 95814

Dear Mr. Fenwick:

Ernst & Young (E&Y) is pleased to present this report regarding the actuarial study of the California Health Facility Construction Loan Insurance Program (Cal-Mortgage). This report presents the results of our analysis and it contains text and exhibits which support our conclusions.

E&Y appreciates this opportunity to be of assistance to Cal-Mortgage. Please do not hesitate to call if you have any questions or wish to discuss any aspects of this report.

Best Regards,

Layne Onufer, FCAS, MAAA
Principal

Charles Letourneau, ACAS
Consulting Actuary

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA'S HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

HEALTH FACILITY CONSTRUCTION LOAN INSURANCE FUND

ACTUARIAL STUDY

AS OF JUNE 30, 1998

DECEMBER 1998

TABLE OF CONTENTS

SECTION I: EXECUTIVE SUMMARY

A. Objectives

The Office of Statewide Health Planning and Development (OSHPD), through the Cal-Mortgage Loan Insurance Division (Cal-Mortgage), administers the California Health Facility Construction Loan Insurance Program (Program), and the Health Facility Construction Loan Insurance Fund (HFCLIF). Under the Program, health facilities borrow money for capital needs from long-term lenders, and the loans are guaranteed by the State of California (State). The Cal-Mortgage Program guarantees that those loans will be paid off from resources available in the HFCLIF. Should the HFCLIF be insufficient, the State would be required to issue its own debentures and make payments on the debentures from the State's General Fund.

There are two main objectives of this study, which Ernst & Young (E&Y) has been retained to report. The first objective is to determine the reserve sufficiency of the funds in the HFCLIF as of June 30, 1998. The second objective is to assess the risk to the State's General Fund from the Cal-Mortgage Program.

As part of this study, E&Y reviewed the prior actuarial study that was performed for Cal-Mortgage by Mercer as of June 30, 1996 and dated August 1997 (1997 Mercer Study); E&Y also reviewed the California Division of Insurance (DOI) standards on reserves for financial guaranty insurance companies.

B. Approach

E&Y's approach to determine the reserve sufficiency and the risk to the State's General Fund included a study by our consultants on the current environment of health care facilities and future trends, both nationally and in California. E&Y also reviewed the financial condition of Cal-Mortgage's portfolio of insured loans through the examination of the debt service ratios on Cal-Mortgage's insured facilities for 1996 and 1997.

In our calculations to determine the reserve sufficiency, E&Y incorporated the current trends of health care facilities and the current state of Cal-Mortgages book of business. From our findings, E&Y created a computer model which simulates the ability of the HFCLIF to provide cash outlays that would come from the expected defaults of projects insured by Cal-Mortgage. Through use of the model, E&Y calculated the expected value of the fund balance for each of the next thirty years. To test the risk to the State's General Fund, E&Y varied the parameters underlying the cash flow model and took into consideration the possibility of extraordinary events (e.g., a large unexpected default).

Notwithstanding the fact that the Cal-Mortgage Program is not required to meet these standards, for comparison purposes E&Y calculated the required reserve for the HFCLIF based on California DOI standards on reserves for financial guaranty insurance companies.

Please note that while Cal-Mortgage requires each insured project to establish a bond reserve (i.e., a debt service reserve account or fund (DSRF)), this reserve provides protection only for that individual project; such funds are not available to the other insured projects. In other words, once a project exhausts its DSRF, only the HFCLIF (not the DSRF of another health project) could be used to cover the default. As such, the HFCLIF required reserve should be determined independently of the DSRFs, as these accounts are specific to a project and are not available for other problem loans.

C. Conclusions

Based on our analyses, E&Y concludes the following:

1. Outlook on the Health Care Industry

Healthcare facilities in 1998 face many changes in the foreseeable future. The majority of changes, however, are expected to be calculable and predictable. This is primarily a result of the Federal Balanced Budget act of 1997 which provides strict payment and reimbursement guidelines.

Other driving forces to affect the future of the health care industry from 1998 onward include: continued mergers and acquisitions with expected consolidation; new government and regulatory mandates, especially in California; Government investigations of fraud; and increased use of integration technology to tackle year 2000 data issues and to increase efficiency. Consequences of these driving forces are expected to result in a more efficient industry which will be required to pay close attention to developing internal compliance.

Due to changing demographics, the health care industry is expected to make accommodations to meet requirements of various issues, such as the aging baby boomer population. Providers are expected to continue evolving as a result of managed care forces. Also, as employers more actively participate in healthcare, the quality of care delivered by healthcare facilities will be carefully measured and reported. Another major force driving change in the industry will be the continuing shift of services away from acute inpatient facilities toward an outpatient setting.

2. Financial Condition of Cal-Mortgage's Portfolio of Insured Loans

The review of the 1996 and 1997 financial statements of Cal-Mortgage's portfolio indicates that the overall financial health of the borrowers has been deteriorating as compared to 1994 and 1995. This deterioration is mainly due to hospitals, which have suffered a substantial decline in their ability to pay their debt service.

3. Reserve Sufficiency of the HFCLIF and Risk to the State's General Fund

Based on the cash flow analysis, under "normal and expected" conditions the HFCLIF should maintain a positive balance for at least the next 18 years whether or not it insures new loans. The parameters underlying the "normal and expected" conditions are defined as follows:

- The rate at which loans default is based on the health care industry default rate of 0.87 percent of the outstanding loan balance determined as described on pages 74 through 77.
- The default pattern is based on the health care industry payout pattern.

- The 1999 administrative expenses are $4.2 million and increase annually at a rate of 3.0 percent.
- The percentage of loans that terminate earlier than anticipated (i.e., termination) varies by calendar year and ranges from 0.5 percent to 12.6 percent of the outstanding loan balance.
- Annual written premium is at the maximum allowable charge and is equivalent to 0.005 multiplied by the outstanding loan balance.
- Investment income is earned at an annual rate of 5.699 percent.
- The anticipated recoveries from Triad will be one of the following scenarios:
    1. No recovery is made;
    2. $30 million is recovered on July 1, 1999;
    3. $30 million is recovered on July 1, 1999, and $20 million is recovered on July 1, 2001.

The "normal and expected" conditions do not take into consideration the possible occurrence of extraordinary events. In order to incorporate the possibility of extraordinary events and to determine sensitivity of the HFCLIF to the "normal and expected" conditions, E&Y applied a stochastic simulation model. Under the model, E&Y varied the parameters underlying the "normal and expected" conditions and incorporated the possibility of extraordinary events.

E&Y ran sixteen separate simulations, in which E&Y varied the parameters underlying the model, the probabilities of extraordinary events, and whether or not new loans will be insured. Extraordinary events are defined as a catastrophe that would cause a major devastation to the insured properties themselves (e.g. earthquakes, fire, riot, act of terrorism, act of war), an economic or legislative change that adversely impacts the financial viability of some segment of the health care industry, or a large unexpected default.

Under all scenarios, the HFCLIF balance remains positive in the medium term (ten years); however, the balance may become negative in the long term (twelve to fifteen years) depending

on the likelihood of extraordinary events and on whether or not Cal-Mortgage continues to insure new loans.

Based on the California DOI standards for financial guaranty insurance companies, the required HFCLIF balance would be $216.6 million. The actual HFCLIF cash reserve as of June 30, 1998 was $130.4 million. Therefore, under the California DOI standards there was approximately an $86.2 million shortfall ($216.6 million minus $130.4 million) in the fund as of June 30, 1998. The 1997 Mercer Study concluded that as of June 30, 1996, there was a $97.0 million shortfall. The shortfall has therefore decreased since the last study. E&Y notes that, if Cal-Mortgage were an insurance company, it also would be subject to the rating standard of the various bond insurance rating agencies, and these reserve requirements are more stringent than those of the California DOI.

The difference between the California DOI standard for required reserves and the cash flow analysis on which this study is based, is that the California DOI requires the reserves to be fully funded up front (i.e., requires the accounting to be on a cash basis) and would not consider the future operations of the Cal-Mortgage Program, such as new business, future termination, and future losses. The cash flow analysis is on a "pay as you go" accounting basis, and measures whether the HFCLIF will have enough money to pay for its cash outlays over the next thirty years, taking into consideration the future operations of the Program. The Cal-Mortgage Program was set up as a state Program with the full backing of the State. As such, the legislature did not capitalize the Cal-Mortgage Program, as it was already backed by the State's General Fund, and we note that the legislature never funded (or funded and took it away) the HFCLIF.

Therefore:

- Were Cal-Mortgage subject to the California DOI standards, i.e., on a fully funded or accrual basis, the HFCLIF would be deficient. Notwithstanding the lack of capitalization, the

HFCLIF has grown to $130.4 million as of June 30, 1998, as compared to the DOI standard of $216.6 million.

- On a cash flow or "pay as you go" basis the HFCLIF will maintain a positive balance for the medium term; however, our analysis indicates that at some point in the future the fund balance could become negative. The point in the future at which the fund becomes negative (and hence the State's General Fund is at risk) depends on the frequency and severity of extraordinary events. However, even under our "worst case" type scenario (e.g., assuming a 10 percent yearly probability of an extraordinary event), E&Y would still expect the fund to remain positive until 2008, which would allow the management of Cal-Mortgage time to plan and implement a recovery strategy. The "worst case" scenario in the 1997 Mercer Study projected a positive fund balance until 2005.

There is a certain amount of uncertainty surrounding the above estimate. These conclusions are based on the estimation of future contingent events, such as future default rates and future payments on already defaulted loans. The results are highly dependent on these assumptions, and, should an assumption not occur, it could result in major differences in the results. As such, there is no guarantee that the estimates will not prove to be inadequate or excessive.

The "Analysis" section of this study provides more detail on these conclusions.

D. Distribution and Use

Health and Safety Code Section 129330 requires Cal-Mortgage to obtain an actuarial study every other year. This actuarial study was prepared at the request of Cal-Mortgage. This study may be distributed only in its entirety.

E. Reliance and Limitations

For this study, E&Y relied on the following information:

- A report titled "Office of Statewide Health Planning and Development; The Cal-Mortgage Program; California's Health Facility Construction Loan Insurance Program; Actuarial Study; As of June 30, 1996," prepared by Mercer and dated August 1997 (1997 Mercer Study).

- Financial statements for Cal-Mortgage projects prepared by various certified public accounting firms and provided by Cal-Mortgage.

- The Annual Statement for the year 1997 of the AMBAC Indemnity Corporation.

- The Annual Statement for the year 1997 of the Municipal Bond Investors Assurance Corporation.

- California State Insurance Code Sections 12095 through 12118.

- A report listing issue date, default date, default bond amount for nursing homes, hospitals, retirement and congregate living projects, medical facilities including drug and rehabilitation, clinics, etc., prepared by Bond Investors Association.

- The Cal-Mortgage State Plan prepared by Cal-Mortgage and dated December 1995.

- A report titled "All Nursing Home and Lifecare/Retirement Municipal Debt as of 8/15/98," listing issue year and principal amount issued, provided by Securities Data Company.

- A report titled "All Healthcare Municipal Debt as of 8/15/98," listing issue year and principal amount issued, provided by Securities Data Company.

- A report titled "Monthly Status Report to the Director from the Cal-Mortgage Loan Insurance Division; Office of Statewide Health Planning and Development," dated July 2, 1998.

- A report titled "Cal-Mortgage Loan Insurance Division; Monthly Activity Report; June 30, 1998," including Cal-Mortgage insured projects by health facility as of June 30, 1998, prepared by Cal-Mortgage.

- A report including the investment yields on Cal-Mortgage's portfolio for the last five years, prepared by Cal-Mortgage.

- A report titled "Cal-Mortgage Collateral Valuation Study; as of October 15, 1993; Volume I," prepared by John Connolly IV & Company Healthcare Group.

In addition, E&Y had telephone conversations and meetings with the following employees from Cal-Mortgage: Mr. Dennis Fenwick, J.D., Deputy Director; Mr. Dale Flournoy and Ms. Tacia Caroll, Construction Financing Supervisors; Mr. Ted Carthen, Associate Governmental Program Analyst; Ms. Anna Gragg, Construction Financing Representative; Mr. Ed Gibson, Construction Financing Representative; and Mr. James Morgan, Staff Service Analyst.

For our study E&Y relied on the accuracy and completeness of this information without independent audit. If this information is inaccurate or incomplete, our findings and conclusions may need to be revised.

This study's conclusions are based on an analysis of the available data and on the estimation of many contingent events. Future costs were developed from historical claim experiences and covered exposure, with adjustments for anticipated changes. In addition to the assumptions stated in this study, numerous other assumptions underlie the calculations and results presented herein.

This study's conclusions are projections of the financial consequences of future contingent events and are subject to uncertainty. There may have been abnormal statistical fluctuations in the past, and there may be such fluctuations in the future. Because of the uncertainties inherent in the estimation of future costs, estimates set forth in this study may prove to be inadequate or excessive. Actual costs may vary significantly from the estimates.

The conclusions of this study are based on specific scenarios and simulations which E&Y believes represent a reasonable range of possible change in conditions. However, there are numerous scenarios and simulations not specifically reviewed which conclusions may be substantially different from those described in this study. In addition, conditions may change significantly between the present and 2028, which may alter our analysis and the resulting conclusions.

Numbers in the exhibits may be shown with more significant digits than their accuracy suggests. This has been done to simplify the review of the calculations. In addition, there may be differences in the actual values shown due to rounding.

SECTION II: BACKGROUND

A. Purpose of the Cal-Mortgage Program

The purpose of the Cal-Mortgage Program is to provide, without cost to the State, an insurance program for health facility construction, improvement, and expansion loans in order to stimulate the flow of private capital into health facilities construction, improvement, and expansion, and in order to rationally meet the need for new, expanded, and modernized public and nonprofit health facilities necessary to protect the health of all Californians.

The Cal-Mortgage Program provides loan insurance. If a shortfall results from a default on an insured project, the shortfall would be paid off from the resources available in the HFCLIF. Should insufficient funds be available in the HFCLIF to cover the Cal-Mortgage Program's insurance obligations, the State would be required to issue its own debentures and pay the shortfall from the State's General Fund.

The priorities for awarding loan guarantees are contained in the Cal-Mortgage State Plan dated December 1995.

B. Eligible Health Facilities

Eligible facilities must be owned and managed by California nonprofit public benefit corporations or political subdivisions, such as cities, counties, local health care districts, or joint power authorities. Community mental health facilities may be owned and operated by for-profit corporations, if the facility is leased to a local nonprofit mental health program. Loans are made by private lenders generally through public or private bond issues or certificates of participation (COP), and are insured by the Cal- Mortgage Program against loss.

Eligible health facilities include those providing, or designed to provide, health care services for the acute, convalescent, chronically ill, and mentally or physically impaired, including but not limited to the following:

- General acute care hospitals
- Public health centers
- Community mental health centers
- Facilities for developmental disabilities
- General, tuberculosis, mental, and other types of hospitals
- Laboratories (Blood Banks)
- Outpatient facilities
- Skilled nursing facilities
- Training facilities
- Offices and central service facilities operated in connection with a health facility
- Intermediate care facilities
- Rehabilitation facilities
- Community care facilities providing care or treatment
- Multilevel facilities for the elderly, operated in conjunction with, or as a part of, an intermediate care facility, skilled nursing facility, or general acute hospital
- Adult day health centers
- Child day care facilities in conjunction with a health facility
- Accredited nonprofit work activity programs
- AIDS clinics

Insurable loans may include loans for construction of new buildings, expansion, modernization, renovation, remodeling, or alteration of existing buildings or facilities.

Refinancing is also permitted. Construction costs also include consulting, financing, architectural and engineering costs and fees, cost of land acquisition and development, parking facilities, and other costs necessary or incidental to acquire new buildings, construct new buildings, or alter existing buildings.

Cal-Mortgage insured two Small Facilities Pooled Loan Programs (Starts) in 1990 and 1992. The Starts programs provided a financing alternative to bank loans and small individual bond issues by accessing the capital market with an insured pooled loan program. By pooling the loans, each borrower shares lower issuance costs, lower interest rates, and lower administrative costs.

C. Applicants

Applicants must provide assurance that the net income of the project, when completed, will be adequate to continue operations, service its debt, and provide reasonable reserves for depreciation and equipment replacement.

D. The Loan

The loan may be short or long-term. Long-term loans may not exceed 30 years, or 75 percent of the economic life of the facility, whichever is less. A combination of an insured loan with public or private grants is permissible. Interest rates are established by the market at the time of the loan. Bond issues normally are tax exempt, but may be taxable.

E. Funding

Should an insured borrower be unable to make its loan payments, the payments will be made from the resources available to the borrower's trustee, including the borrower's DSRF, and if the funds are exhausted, then by the Cal-Mortgage Program from the HFCLIF.

The HFCLIF is funded by application fees, certification and inspection fees, annual insurance premiums, and by the interest from investments. The maximum premium allowed by law is the current amount charged by Cal-Mortgage, which is an annual premium of 0.5 percent (0.005) of

the average outstanding principal obligation of the loan during the year in which the charge is made.

F. Reserves

Cal-Mortgage requires each project to establish a bond reserve (i.e., the debt service reserve fund, DSRF).

As of June 30, 1998, the total DSRF of all the borrowers was $114.4 million. In most cases, this reserve represents twelve months of principal and interest payments. The DSRFs provide protection for their respective loans. These DSRFs are not available to other loans in the portfolio. In other words, the DSRF of one loan cannot be used to cover debt service of another loan, except for the two STARTs pools. Once a borrower's DSRF is depleted, funds from the HFCLIF are used to cover any additional shortfall.

G. The Actuarial Study

The Legislature's mandate to Cal-Mortgage is to operate the Program "without cost to the State." State law requires Cal-Mortgage to obtain an actuarial study every other year to determine the reserve sufficiency of the HFCLIF. The study is to determine whether the reserves are adequate to cover foreseeable risks.

SECTION III: DATA

In performing our analysis, E&Y used the experience of Cal-Mortgage's portfolio of insured loans as of June 30, 1998 and the loans' financial statements at December 31, 1997. E&Y determined the debt service ratios for 1996 and 1997 for each facility from its financial statements. However, financial statements were not available for each facility for each year. In addition, due to the unique presentation of each financial statement, E&Y made assumptions regarding the interpretation of the financial statements. These assumptions are fully explained in the Appendix. The Appendix also contains the data underlying the ratios and a list of abbreviations of each facility type.

E&Y estimated loan default rates for health care facilities insured by Cal-Mortgage by comparing Cal-Mortgage default rates to countrywide health care default experience as prepared by Bond Investors Association (BIA) and countrywide health care original loan amounts as prepared by Securities Data Company. The countrywide industry data was provided separately for hospitals and nursing homes. Hospital data also included additional medical facilities, such as clinics and drug rehab centers. The nursing home data included retirement and congregate living projects.

SECTION IV: ANALYSIS OF HEALTH CARE INDUSTRY - OUTLOOK FOR HEALTH CARE FACILITIES

A. Introduction

The healthcare industry encompasses a variety of sectors, each of which is in transition due to changes in governmental policies, environmental shifts, and regulatory pressures. This analysis has been created to assist Cal-Mortgage in understanding and evaluating (a) the industry dynamics of healthcare facilities, (b) updated key healthcare industry factors, and (c) current trends.

This report first examines the current healthcare industry focusing on regulatory, governmental, competitive, and financial trends throughout the United States. Secondly, specific industry factors are discussed to provide Cal-Mortgage with the ability to analyze pivotal success factors for healthcare facility companies. Finally, a focused look at California and specific trends within the State enables Cal-Mortgage to derive the most value from the knowledge presented in this report.

B. Analysis of the Healthcare Industry

Healthcare expenditures in the United States total nearly $1 trillion. As of 1995, the hospital and nursing facility industry comprise 43.3 percent of those expenditures (see Table 1). Despite the magnitude of expenditures in healthcare in general and at healthcare facilities, the industry remains fragmented and in transition.

TABLE 1 - National Health Spending by Sector ($ in billions)

	1980		1990		1995	
	Spending	% of total	Spending	% of total	Spending	% of total
Hospitals	$102.7	41.5%	$256.4	36.8%	$350.1	35.4%
Nursing facilities	17.6	7.1%	50.9	7.3%	77.9	7.9%
Home health agencies	2.4	1.0%	13.1	1.9%	28.6	2.9%
Physicians	45.2	18.3%	146.3	21.0%	201.6	20.4%
Other	79.3	32.1%	230.6	33.1%	330.3	33.4%
Total	**$247.2**	100.0%	**$697.3**	100.0%	**$988.5**	100.0%

Source: ProPac, Report to Congress June 1997

Environmental changes to the healthcare facility industry, especially in California, are currently brought about by new government and regulatory mandates. Although managed care forces continue to evoke industry shifts, changing regulations and payment methodologies, undertaken by the Health Care Financing Administration (HCFA), have clearly taken center stage as the source of current change for healthcare facilities. Government scrutiny of the industry primarily focused around fraud and abuse, is also impacting the way the healthcare facility sector operates and creates a high level of uncertainty.

1) Federal Balanced Budget Act of 1997

As healthcare facilities typically rely on government funds for a considerable source of revenue, the Federal Balanced Budget Act (BBA) of 1997 created a significantly changed environment for the sector. While the main goal of the BBA is to maintain the quality of healthcare services to Medicare beneficiaries, it also is expected to lower projected expenditures by $115 billion from fiscal years 1998 through 2002. These savings are expected to be achieved through lower payments as follows: 1) Hospitals - $39 billion, 2) Health Maintenance Organizations - $19 billion, 3) Physicians - $4.5 billion, and 4) Home Healthcare/Skilled Nursing Providers - $25 billion.

Despite the expected cost savings from the BBA, the healthcare facility industry has reacted to the legislation with relative calm. The establishment of clearer regulations with regards to Medicare reimbursement has stabilized the industry, allowing earnings growth to be more

accurately forecast and companies can move forward with strategic or capital-related initiatives. Furthermore, the healthcare facility sector is familiar with prospective payments, and is prepared to take on the changing methodologies of payment. The prospective payment system (PPS) refers to the methodology through which government agencies (Medicare in particular) reimburses services provided by healthcare facilities. Under the PPS, payment is rendered based on the category of injury or disease, rather than what services are actually provided. Thus, the incentive for facilities is to treat the injury in the most cost-conscientious manner, since they will not receive additional money if excess services are provided. Traditionally, services were reimbursed based on what was actually provided.

Standard and Poor's Industry Reports describes the following elements of the BBA and how they will have an impact on various parts of the healthcare facilities industry:

- Hospitals face a freeze on Medicare inpatient hospital rates in fiscal year 1998. For subsequent years, the hospital reimbursement rate will be adjusted using a "market basket" methodology where an overall proxy for costs across geographic regions will be measured. The actual change for 1999 will be the rate as measured by the market less 2.2 percent. For the year 2000, the rate will be 1.3 percent less than the market basket indicator. Finally, for the last two years (2001 and 2002) the rate will be 1 percent below the market basket. Hospital outpatient care is also expected to decrease by $1.3 billion in 1998, and subsequently, a prospective payment system will be implemented. The Congressional Budget Office estimates total savings for hospital outpatient services to be $7.2 billion over the five year period.

- Nursing homes, rehabilitation hospitals, and hospices will also implement a prospective payment system under the BBA. Skilled nursing facilities will be placed on a per-diem rate for covered services. These include routine service costs, ancillary costs, and capital-related costs. Beginning in fiscal year 2000, inpatient rehabilitation services will

find their reimbursement changing as the prospective payment system is blended with the current payment system.

- Psychiatric hospitals face a $224 million cut in Medicare reimbursement, resulting in an estimated drop of 8.7 percent to the hospitals' profit margins. Lobbying efforts are underway for Congress to utilize a phased-in approach to this rate decrease.

2. Provider Sponsored Organizations - A New Organization Created by the BBA

The BBA created a new Medicare private health plan option called provider sponsored organizations (PSOs). PSOs allow provider-based integrated delivery systems to contract with Medicare directly for at-risk payments. The public policy goal was to open up direct Medicare risk-contracting to provider-based integrated delivery and financing systems (IDFSs). IDFSs are those systems organized to accept and manage financial risk for patients. PSOs will directly compete with Medicare HMOs and other types of insurance products for the Medicare market. The following features help to define PSOs:

- They are provider-based systems that accept full financial risk on a prospective basis for the Medicare or Medicaid populations.

- They are organized by health care providers.

- A substantial proportion of services are delivered by providers or affiliated providers and providers share a majority financial interest in the organization.

Provider sponsored organizations will be competing directly with HMOs for senior members. Allowing PSOs to compete against health plans gives providers added market leverage in the battle over the control of Medicare member lives. With this major new opportunity comes substantial business risks. To be successful, an organization must quickly develop a sophisticated appreciation of the specific provisions of the new legislation, the opportunities it presents, and the inherent business risks that must

be mitigated in implementing a PSO. The direct impact to healthcare facilities will be the ability to manage capitated payments; and a decision must be made whether or not to participate in a PSO's network. A significant risk that PSO's will be facing is alienation of other health plans, which could result in a substantial loss of revenue.

3. Government Investigations of Fraud and Abuse

As industry trade journal Modern HealthCare displayed a picture of federal agents raiding Columbia/HCA's facility on its front cover, a clear warning was sent by the federal government to the healthcare industry. Backed by the popular support of the American public, and self-funded through increasing fines which are assessed on providers, the government's fight against healthcare fraud and abuse continues to grow stronger. Launched in 1995, Operation Restore Trust was developed to find and eliminate fraud and abuse in the Medicare and Medicaid programs. In 1997 Modern HealthCare reported the following:

- Fraud and abuse recovery efforts resulted in $1.1 billion in criminal fines, civil judgments, and settlements.

- In 1997 there was a 61 percent percent increase in civil investigations (4,010) over 1996.

- 400 federal jobs were created to target healthcare fraud.

- $50 million in surveillance and other equipment was allocated to the FBI to patrol the healthcare industry.

- Over 1,400 cases were successfully prosecuted by the Department of Health and Human Services' Inspector General's Office.

- In 1997 more than 2,700 practitioners and organizations were blacklisted from participating in federal healthcare programs (up from 1,400 in 1996).

As a result of increased scrutiny of the industry, especially in the areas of home healthcare, nursing homes, and durable medical equipment suppliers, the industry is expected to pay close attention to developing internal compliance and self-review programs.

4. Competition Nationwide

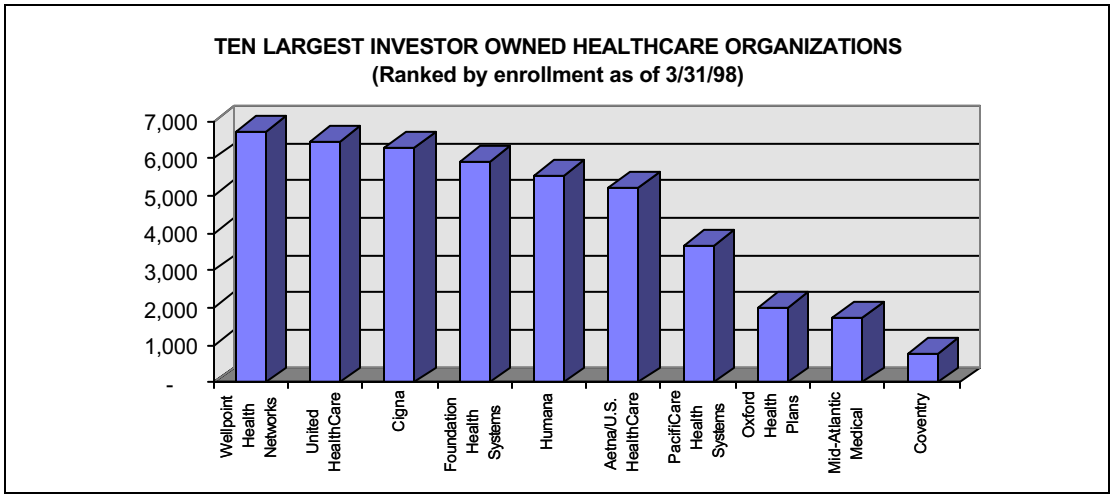
There is a continued emphasis on consolidation in the not-for-profit hospital sector, especially within the hospital segment of the healthcare facilities industry. In order to further reduce costs, eliminate duplicative services, and better position hospitals for managed care, provider integration is expected to continue. However, there has been a considerable slowing in the conversion of not-for-profit hospitals to for-profit hospitals. Part of this slowing can be directly attributed to the withdrawal of Columbia/HCA from the acquisition picture, leaving Tenet HealthCare a prime beneficiary. Goldman Sachs' research estimates that in 1998 there will be a continuing slowdown in conversions due to increase public scrutiny, regulation of transactions, and stronger not-for-profit financial performance. Years 1994 (34 conversions) and 1995 (55 conversions) represented a significant increase in not-for-profit acquisitions by for-profit chains in the United States. However, there remains significant activity via hospital affiliations, mergers, and acquisitions by and between not-for-profits hospitals, although not to the extent of prior years.

Modern HealthCare reports that the number of hospitals involved in merger and acquisition activity dropped in the United States to 627 in 1997 compared with 1996 data. There were 768 hospitals involved in transactions in 1996. This is still astounding considering the American Hospital Association counted only 18 mergers in 1993. The largest not-for-profit transaction thus far involves a large consolidation of Roman Catholic systems on the East Coast. Catholic Health East was formed through the merging of the 17-hospital Eastern Mercy Health System, the six-hospital Franciscan Sisters of Allegany, and the two-hospital Sisters of Providence.

C. Industry Factors

1. Managed Care

With more than 50 percent of all Americans covered by some version of managed healthcare rather than a traditional indemnity insurance, or fee-for-for service health plan, the managed care industry's evolution is closely tied to effects in the healthcare facilities sector. The managed care industry encompasses a continuum of plans, which attempt to actively manage the cost and quality of healthcare, as compared to a traditional fee-for-service health insurer's passive participation. The differences between the types of managed care organizations (MCOs) depend on their relative cost and quality control. For example, preferred provider organizations (PPOs), point of service (POS), and pure panel HMOs differ in their levels of control.



Source: Standard and Poor Industry Survey - 6/98

Managed care is often credited as the driving force behind medical cost-containment efforts in the United States. Since 1993, healthcare spending has remained at approximately 13.4 percent of the GDP, constituting the longest period in which the health sector grew no faster than the overall economy. For example, overall medical costs for active and retired employees rose only 0.2 percent in 1997, the lowest since 1994. Mercer/Foster Higgins reports that for each employee that switches from fee-for-service into an HMO, the employer saves $40 to $356, depending on

the type of managed care plan. Broken down by geographic region, the following are the region's healthcare per employee cost inflation for 1997:

Region	Per Employee Cost	% Inflation
Northeast	$5,199	+6.2
Midwest	$4,047	-4.7
Southern	$3,505	+3.5
West	$3,797	-1.8

Source: Standard & Poors Industry Survey - 7/98

Despite these trends in cost-containment, the combination of an aging population and the upcoming move of the "baby boom" generation into the Medicare beneficiary population is expected to increase costs for healthcare facilities dramatically over the next 15 years. The Congressional Budget Office (CBO) anticipates a rise in national healthcare expenditures from $1.1 trillion in 1998 (13.4 percent of projected GDP) to $2.1 trillion by 2008 (15.5 percent).

According to *Hoechst Marion Roussel Managed Care Digest Series - 1996*, health maintenance organizations (not including PPOs) served 68 million members, 27 percent of the population, at year-end 1995 in the United States. Playing a part in this spectacular growth is the development of hybrid plans, which allows members to pay higher premiums in order to access care from non-network providers. On average, commercial HMOs enrolled about 22 percent more individuals in 1995 than in 1994. The shift of federally funded Medicare and Medicaid beneficiaries towards managed care also continued through 1995, rising 31 percent to 10.2 million.

The impact of managed care on healthcare facilities will continue to grow as more members join MCOs. In regions like Massachusetts where 50 percent of the population are enrolled in a managed care plan, healthcare facilities must do business with managed care plans to stay open. As HMOs have leveraged their size and membership to negotiate discounted rates from physicians and healthcare facilities, integrated delivery networks are pushing back through market

and regional dominance. Hospitals have undergone rapid consolidation to streamline cost structures, gain economies of scale, and eliminate overcapacity.

In heavily penetrated regions of managed care, such as the Los Angeles and Orange County regions of Southern California, the ability of a hospital to develop relationships with primary care physicians has been a critical success factor. These primary care physicians are the source of referrals, and control the provision of HMO services - including referrals to specialists who drive healthcare facility usage. Since these physician groups are oftentimes financially rewarded for managing utilization of the healthcare facilities, the physician-hospital relationship can be strained. According to a study conducted by the American Hospital Association, inpatient hospital admissions fell 0.4 percent to 33.3 million in 1996, while admissions for patients aged 65 remained at 12.9 million. The average length of stay in a hospital also fell to a record low of 5.5 days in 1996, declining by 3.5 percent. For patients aged 65 and over, the length of stay fell 5.6 percent to 6.7 days in 1996. With the decline in inpatient utilization, is a complementary increase in outpatient facility usage. Hospital-based or free-standing outpatient clinics, physicians' offices, ambulatory care centers, and surgery centers have all seen increased utilization. In 1996 the number of outpatient visits rose to 481 million, up 6.4 percent from 1995. Within hospitals, the number of outpatient surgeries rose 3.3 percent to 12.7 million in 1996, while inpatient surgeries declined 1.0 percent to 10.4 percent. Home healthcare is also seeing dramatic increases where Medicare benefit payments exceeded $16 billion in 1996, up 12.5 percent from 1995. In contrast, 1990 Medicare spending on home health was only $2.8 billion.

The following is a summary of healthcare facility industry trends related to large managed care populations:

- Decline in frequency and length of inpatient hospital stays. Considered the "low hanging fruit" of managed care, the first area to show declined utilization is inpatient hospital care. Due to risk sharing arrangements between the health plan and physicians, physician groups are incentivized to decrease their hospital utilization. Hospitals can mitigate this

effect by ensuring strong relationships with these physician networks to become the inpatient provider of choice.

- Large increases in the use of outpatient facilities as the preferred treatment setting. The decrease in inpatient acute stays is usually accompanied by a dramatic increase in outpatient facility usage. Outpatient facilities are one of the fastest growing sectors in healthcare.

- Need to maintain lean cost structure to profitably serve the managed care and Medicare/Medicaid patient groups. Especially if the healthcare facility operates on a capitation basis, it is essential that the company operate efficiently. As revenues are tied to membership volume, and not service volume, maintaining a lean cost structure increases the possibility of greater profit margins.

- Rise of cost-efficient processes and facilities (e.g.; integrated delivery systems, outpatient surgery/rehabilitation clinics, home healthcare and assisted living facilities). Similar to the need for lean cost structures, efficient processes and facilities will provide alternative methods of care for managed care companies, and allow healthcare facilities to recapture expected revenue loss.

- Increase in capitation as a method of payment. This trend has special significance to the operational and informational needs of hospital facilities. Inherent within the capitation methodology is the shifting of financial risk for the provision of medical services. Healthcare facilities should be sure to have proper systems to handle and track services rendered under this methodology.

- Another managed care driven trend is the development of strong physician groups who receive a limited Knox-Keene license. This license allows the physician group to receive "global" cap, i.e.; capitation for both the professional and institutional services rendered.

Independent Physician's Associations (IPAs) are contracting mechanisms for independent physicians who wish to have access to health plan contracts. The implications of this trend is the need for hospitals to increasingly look towards the physician group, not only for patients, but for the actual capitation payments as well. This also can be used as an opportunity, as hospital-centric IPAs also can apply for the license, therefore enabling the physician-hospital partnership to also take on the global cap and mutually share in the risk management.

2. Long Term Care Outlook

Associated with a decline in acute inpatient care, many hospitals are focusing on assisted living facilities as potential alternatives in their continuum of care. Hospitals are either partnering with existing assisted living facilities, or creating their own. A driving factor is the tendency for assisted living facility residents to be private pay individuals. With a quickly growing aging population, the lower cost of assisted living facilities also make the alternative attractive to traditional acute care facilities. Costs for skilled nursing care can exceed $6,000 per month, while assisted living facilities rates can run from $800 to $3,500. According to Modern HealthCare's 1998 multi-unit Provider's Survey, 84 healthcare systems reported an 11 percent increase in the number of assisted living residencies owned or managed in 1997. In the American Hospital Association's 1996 annual industry survey, only 3.6 percent of respondents reported owning or managing an assisted living facility.

While the growth in long term care facilities is expected to continue, the effect of the BBA mandated prospective payment system makes it difficult to forecast a consistent growth rate for the post-acute and ancillary business. As described in the Goldman Sachs' industry report, facility-based providers' growth should come from increased admissions and lower costs, while ancillary providers can expect growth from increased volume (in patient volume, not services rendered per patient).

The long term care industry also will be under considerable scrutiny from the government fraud and abuse teams. The long term care industry has recently undergone significant merger and acquisition activity. Some major 1997 long term care transactions include: Vencor's acquisition of Transitional Hospitals Corporation and TheraTx; ExtendiCare's acquisition of Arbor Health Care; Sun HealthCare Group's acquisition of Regency Health Services; and HEALTHSOUTH's acquisition of Horizon/CMS. It is of interest that the majority of the mergers and acquisitions was accomplished with cash, which has resulted in high debt-to-capital ratios, which limit financial flexibility. The consolidation activity may slow in 1998, as companies attempt to integrate acquisitions from 1997. Furthermore, the majority of companies may not be able to incur more debt to continue their acquisitions.

3. Information Technologies

Expected to reach $21 billion in the year 2000, the healthcare information technology (IT) industry is growing rapidly. The need for accurate information in both the clinical and financial areas are driving healthcare organizations to invest heavily in IT. Despite these planned expenditures, the healthcare industry continues to run behind in IT, and many in the industry believe that the development of strategic information systems will separate the winners from the losers.

Information technology allows hospital systems to measure and track utilization, develop clinical guidelines, improve processes, and incur change. While the lack of a comprehensive software package is a limiting factor of growth in a healthcare organization, the increased expenditures across the industry is a positive sign. Likewise, healthcare companies, which do not have a strategy in place to develop key systems, will be in great jeopardy. For example, Oxford Health Plan's disastrous tumble involved information system mishaps, which resulted in inaccurate claims and inaccurate membership tracking. Clearly, the reliability of a healthcare facility company's information systems will play an increasingly important role.

Of particular interest to developments in healthcare information system, the California Healthcare Foundation recently gave $1.2 million to a consortium of healthcare organizations to develop a healthcare information network (HIN) electronically linking a patient's hospital, physician, and insurance records.

4. Year 2000 Problems

The Year 2000 (Y2K) problems refer to how dates are coded in many older systems. When many of the original coding systems were developed, only the last two digits of the year was recorded in order to save memory space. Now that the year 2000 is approaching, many date/time reliant systems are expected to fail.

The healthcare industry will be significantly impacted by the Year 2000 bug, especially in the reliability of medical devices. A study performed by the Gartner Group indicated that many medical device and equipment manufacturers were no longer in existence, and, therefore, unable to report their Year 2000 status. For example, FDA spokesperson Sharon Snider noted that the agency received Y2K compliance information from only 11 percent of the 16,000 medical device manufacturers. Failure of these medical devices, implanted devices, systems, and any outdated electronic equipment can severely impact healthcare facilities, as they may be left with many liabilities caused by malfunctioning devices or equipment. As the year 2000 approaches, it will be imperative that healthcare facilities have inspected their systems and have prepared for the Year 2000 problems. Due to the longstanding awareness by the healthcare facility community of Year 2000 problems, these facilities may be held liable for damages, especially if they were documented, or should have been documented.

D. Key Industry Factors

Keeping an eye on the following bellwether statistics will assist Cal-Mortgage in gauging where the healthcare industry is headed.

- The federal budget deficit/surplus level will have an effect on Medicare and Medicaid funding levels. As these benefit programs consume a large share of the federal budget, efforts to cut or decrease government spending will focus on controlling the growth rate of these entitlements.

- Medicare solvency also will have an effect on healthcare facility reimbursement and, therefore, revenues. To ensure Medicare solvency, regulatory efforts will continue to focus on lowering payments to hospitals, nursing homes, and rehabilitation facilities.

- The healthcare consumer price index (HCPI), published by the Bureau of Labor Statistics, measures the difference between the cost of healthcare and the overall consumer price index. Thus far, the HCPI has been declining from 9 percent in 1990 to 3.5 percent in 1996. In 1996 the hospital services inflation rate (4.5 percent) outpaced both medical professional services (3.6 percent) and medical care commodities (2.9 percent).

Other Statistics

- Labor Statistics are important indicators because 46 percent of general hospital expenses are related to salaries and wages. The rate of wage inflation is provided by the U.S. Department of Labor's Bureau of Labor Statistics and is reported for various segments of the healthcare industry.

- Unemployment statistics affect the healthcare facilities industry in several ways. As unemployment increases, the uninsured and underinsured population are also expected to grow. This would mean an increase in low or no reimbursement patient population for public and private hospitals. A segment of those who become unemployed also will fall into the Medicaid and Medicare categories, and hospitals often are required to treat these patients as part of the requirement for participation in government entitlement programs.

- The following are basic operating statistics that will provide a snapshot of the industry conditions under which a healthcare facility is operating:
  - Inpatient admissions
  - Outpatient visits
  - Average lengths of stay
  - Number of surgeries
  - Revenue per visit
  - Payor mix (Medicare, Medicaid, HMO, etc.)
  - Occupancy levels

  These statistics are available through the American Hospital Association's *Hospital Statistics* publication.

Analyzing a Healthcare Facility

The industry statistics provide detailed tracking factors that affect the pulse of the healthcare industry. However, when analyzing a specific healthcare facility, additional factors must be watched closely.

- Regulatory preparation. The ability of the healthcare facility to deal with regulatory change will be critical. Many hospital chains have compliance and regulatory officers to navigate regulatory uncertainties.

- Growth strategy. Depending on the industry and environmental situation of a healthcare facility, the company's growth strategy is an important measure of its potential success. For example, in managed care areas, integrated delivery networks are experiencing higher HMO revenues as a percentage of total revenues, indicating that integrated delivery networks appear to be an effective growth strategy.

- Competitive advantages. Due to a continued oversupply of beds and, thus, healthcare facilities, companies with competitive advantages will be able to weather the continued demand for lower prices, especially if the advantage leads to higher efficiencies and productivity.

- Breakdown of revenues - Income Statement. A breakdown of payor sources is a good overview of a hospital's product lines and stability. For example, in large competitive urban markets, a lack of managed care revenue would be of great concern, especially if the managed care market share is growing at a rapid pace. Using a comparable-facilities basis, a company's revenue also should be compared with others to evaluate the sustainability of revenue growth. As part of this analysis, the company's business mix should be carefully monitored. The shift towards outpatient utilization could seriously hamper a company's top line growth if there are no outpatient centers for the business to shift towards.

- Earnings - Income Statement. To measure core operating trends, the earnings before interest, depreciation, and taxes (EBIDTA) is a good indicator of a company's cash flow generation power. As reported in the Goldman Sachs industry report, for-profit hospitals traditionally have EBIDTA margins at 10 percent, which is well above the average 4 percent found at not-for-profit facilities.

- Labor Expense- Income Statement. For healthcare facilities, salaries and wages often consume the largest share of resources. Trends in salaries and wages should be closely monitored as a percentage of operating revenues to gauge the competitiveness of the facility.

- Debt to Capital Ratio - Balance Sheet. The financing mechanism of healthcare facilities will depend on whether it is for-profit or not-for-profit. Generally lower debt-to-capital ratios are favorable, as they indicate the ability of the company to finance acquisitions and facility upgrades with internally generated funds. Also, a low ratio will enable the healthcare facility

to obtain more favorable interest rates. However, there are tax benefits associated with issuing debt, as these are considered an expense and are, therefore, tax deductible.

- Equity Capitalization - Balance Sheet. Equity gives a company a high degree of financial flexibility and confidence when investing in long term assets or taking on business risks. The higher the proportion of debt to equity in a company's capital structure, the greater the risk to the company, since fixed payments must be made. At the same time, the inability of a company to leverage equity to debt, especially during times of low interest, also can serve as an indicator of poor financial management. As with all indicators, it is important to utilize similar company analyses, and evaluate the alignment of the financial and strategic goals of the company.

E. California Specific Trends and Analysis

1. State Regulations

In addition to the flurry of national legislation and regulations, California healthcare facilities are faced with consumer protection or advocacy initiatives and bills within the State.

2. Seismic Safety Requirements

Hospital executives in California are feeling the stress from new seismic safety requirements due to take effect in 2001. Under guidelines established after the 1994 Northridge earthquake, seismic upgrades could cost healthcare facilities more than $20 billion over the next 30 years. In less than ten years, any hospital that does not meet the new code's minimum requirements must be mothballed, replaced, or used for some other, non acute-care purpose. The 500 affected hospitals within the state must file plans describing to regulators how they propose to meet the new requirements. Price tags for these renovations for some prominent hospital systems in California include: Kaiser's facility replacement or retrofitting costs of $1 billion; and Catholic Healthcare West's facilities at $450 million.

As many as 2,700 structures are affected, and half of those will need retrofitting or replacement by 2008. California hospitals also may take this opportunity to remove excess capacity in order to run leaner hospitals. Large hospitals may be rebuilt with smaller acute care footprints, or older portions of structures may be decommissioned, or, more likely, switched to outpatient care. Hospitals which were built prior to 1973 are likely to not meet the new minimum requirements.

3. HealthCare Legislation

SB 1125 requires the Department of Health Services to establish minimum nurse to patient ratios in all hospital settings by January 1, 2000. A boon to nurses due to the required staffing ratio could seriously affect every hospitals' labor management. Legislation that may be signed by the governor by September 1998 must be carefully watched by hospitals. The following is a brief synopsis of managed care legislation expected to take effect January 1, 1999.

- AB 12 - Women to make appointments with their obstetrician or gynecologist without needing permission from a family doctor.
- SB 1129 - Allows patients who are pregnant or have chronic conditions to continue seeing their doctor for a limited time, even if the physician is no longer a member of their health plan's network.
- AB 974 - Requires health plans to allow patients with chronic conditions to continue seeing their doctor for a limited time, even if a physician is no longer a member of their health plan's network.
- AB 7 - Doctors have the authority to decide how long a woman should stay in a hospital after a mastectomy.
- AB 1621 - Health plans cannot easily deny access to reconstructive surgery to repair damage from disease, trauma or birth defects.

Healthy Families also made headlines in California, as the State prepares to take on the issue of uninsured children. Healthy Families is a special program aimed at covering children ages 1 to 19 whose parents do not qualify for Medicaid. Healthy Families is expected to cover approximately

250,000 children, and will be administered by the Managed Risk Medical Insurance Board (MRMIB).

4. Purchasing Coalitions

Changes in healthcare and the momentum behind managed care has been driven largely by strong employer groups. Just as providers and health plans are consolidating for better negotiating leverage, employer groups also have formed various coalitions. These coalitions meet together to discuss healthcare policy, as employers make up a substantial force as healthcare benefit payors. The Pacific Business Group on Health (PBGH) is a good example of a purchasing coalition. Formed by major employer groups throughout California, such as, Arco, Bank of America, and Southern California Edison, PBGH helps employers negotiate as a single entity. Also, many of the quality reporting and indicator requirements have been driven forward by employer group coalitions.

The California Public Employees' Retirement System (CalPERS) is another large purchasing organization which often serves as the benchmark for commercial HMO benefit packages. Kaiser's well publicized demands of this purchasing organization for increased reimbursement reinforces the concept that these groups are significant players in the healthcare industry.

5. Managed Care

For the first time, membership in health care service plans in California exceeded 20 million, according to the latest report from the Department of Corporations. Based on national statistics, this would mean that nearly one out of every seven health plan enrollees nationwide resides in California. The top five health plans in California combine to account for more than 15 million members: Kaiser Foundation Health Plan, Blue Cross of California, Health Net, PacifiCare, and Blue Shield of California. In total there are 37 health plans represented by the California Association of Health Plans.

Health plans continued to pursue their consolidation most recently evidenced by the United HealthCare/Humana attempted merger, and Blue Shield of California's acquisition of CareAmerica. The United HealthCare and Humana merger was ultimately canceled when United HealthCare announced large write-offs. Consolidation enhances the industry's ability to raise premium rates in line with anticipated medical cost trends, and to streamline costs through improved efficiencies. Furthermore, successful HMOs are offering wider arrays of providers and treatment facilities. As penetration in localized geographic markets increase, HMOs also are able to obtain more favorable rates from physicians in return for increased patient volume.

Operationally, however, the pendulum of managed care is edging back towards the provider side. After four years of stable premiums, and in many cases decreases, the premium for managed care plans is back on the rise. Evidenced by Kaiser Permanente's double digit negotiated increase by CalPERS, managed care premiums are rising throughout the United States. At the same time, providers are pushing back at managed care plans, especially those that have a dominant market share and have been accepting the majority of financial risk for the provision of medical services to HMO members.

Three large hospitals systems, Sutter Health, Catholic HealthCare West, and Columbia/HCA of California, successfully negotiated new contracts with Blue Cross of California, but not without threatening termination due what they considered "lowball" rates. The contract settlements were the best result for hospitals in years, and demonstrate that these systems have the discipline and negotiation clout to play on equal terms with Blue Cross of California.

These significant events in the managed care industry of California are an indication of the importance of integrated delivery networks. Sutter's termination would have affected 180,000 Blue Cross enrollees, along with some of the region's best-known medical centers: California-Pacific Medical Center in San Francisco, Alta Bates Medical Center in Berkeley, Marin General Hospital in Marin, and Sutter General and Sutter Memorial hospitals in Sacramento. Blue Cross of California also is well known for its low reimbursement to providers, as evidenced by a class-

action suit brought by 13,000 California physicians who allege that the plan failed to live up to payment provisions in its contracts.

While the strength of large networks can bring about great rewards in the managed care industry, hastily developed or poorly integrated provider networks also can result in situations like the FPA Medical Management bankruptcy. The woes of the physician practice management company should serve as a warning to other healthcare companies of the dangers of acquiring too much too quickly.

6. Metropolitan Statistical Area Healthcare Industry Details

Following are managed care excerpts from the *Singer archives, A Gartner Group Company*:

Fresno MSA

Fresno serves as the healthcare hub for a surrounding 5,000 square mile region and the ten county Central California San Joaquin Valley. The city's few healthcare providers serve a wide geographical area in the sparsely populated agricultural area.

PacifiCare of California and Kaiser Foundation Health Plan account for 168,700, or more than 65 percent, of Fresno's 247,000 HMO covered lives. Three physician networks include over 80 percent of Fresno's primary care physicians. Matrix Physicians IPA, a 50-50 owner with St. Agnes Medical Center in Priority Health Services, includes 1,100 primary care and specialist physicians. Sante Community Physicians, which is owned by Community Health System LDS, is a large IPA with 150 primary care and 400 affiliated specialist physicians. Valley Prime Care Medical Group, Inc., which contracts mainly with community hospitals, is a mixed IPA/medical group with 150 primary care physicians and 400 affiliated specialists.

Due the Fresno's geographical isolation, hospital networks have focused on developing primary care networks and utilizing the capitation strategy at both the primary care and specialty care levels. Fresno's healthcare providers and physician groups have been successful at securing

exclusive managed care contracts, which reflects the stability of Fresno's hospital networks and maturity of its physician networks. Fresno's managed care (86 percent combined HMO and PPO) far exceeds that of traditional indemnity insurance.

Los Angeles MSA

Recent activity among healthcare organizations in the five-county Los Angeles consolidated metropolitan statistical area (CMSA) heralds the beginning of a new era of consolidation for southern California's major providers and managed care payers. Unlike other parts of the United States, Los Angeles' physicians and HMOs have developed strong independent networks that are hospital independent. As a result, hospitals in Los Angeles find themselves in an extraordinarily competitive market, where strategic relationships with physician groups and hospitals are essential in growing and maintaining market share. In order to survive, southern California's existing hospital groupings are hastily consolidating into large geographically diverse networks. Simultaneously, these hospital systems are exploring ways of transforming quickly into provider-based IDSs in an effort to catch up with well-established and powerful HMO and physician delivery systems.

The area's large HMOs continue to dominate the healthcare landscape. Southern California is home to seven of the country's top 25 HMOs in terms of total HMO enrollment as reported in *The Interstudy Competitive Edge Industry Report*, June 1997. HMO membership in the five-county Los Angeles CMSA increased substantially in the past 12 to 18 months as the State continued to move its Medi-Cal and Medicare populations into managed care plans. HMO penetration in the Los Angeles CMSA is estimated to be 44 percent of the population. HMO membership increased by close to 250,000 lives, with much of the increase coming from new Medi-Cal, and to a much lesser extent Medicare enrollment. Two new prepaid Medi-Cal health plans are up and running: LA Care Health Plan (the county health plan for Los Angeles County) has an enrollment of 184,716 Medi-Cal recipients as of September 1997 and the Inland Empire Health Plan (the county health plan for Riverside and San Bernardino counties) has enrolled 133,431 recipients since its inception in September 1996. CalOPTIMA, Orange County's

prepaid health plan, has increased its enrollment by nearly 69,000 Medi-Cal recipients from 150,000 in mid-1996 to its current 218,987 enrollees (through July 1997).

Local independent physician groups between 200 to 700 members, with ties to strong area hospital networks, continue to thrive and influence the large and geographically diverse Los Angeles CMSA market. In Orange County, the 200-member Heritage Health Foundation and 600-member St. Joseph Medical Corporation work with St. Joseph Health System, which has recently signed affiliation or management agreements with five acute care facilities in Orange and Los Angeles counties. In Los Angeles County, HealthCare Partners Medical Group completed two mergers during the last year which brings its membership total to 300 salaried physicians. In the San Fernando-area, including Ventura and Los Angeles counties, a new 700-member physician group was recently formed from the merger of Lakeside Health Services and Keystone Medical Groups. The two groups had previously declined take-over offers from two strong local provider networks, including UniHealth America and Cedars-Sinai Health System. In San Bernardino and Riverside counties, the 450-physician member PrimeCare Medical Group associated with Loma Linda University Medical Center has been acquired by the national physician practice management company Phycor.

The era of independent hospitals in the Los Angeles CMSA is drawing to a close. Newport Beach-based Hoag Memorial Hospital (416 beds), one of the area's largest remaining stand-alone hospitals, has announced an affiliation with Orange County-based St. Joseph Health System. Observers also believe that, given Los Angeles' overbedded inpatient capacity of up to 40 percent, only large hospital networks have the financial systems and administrative capacity to downsize and close facilities in response to shifts in local market demand. In preparation for the inevitable consolidation and reduction of local hospital facilities, as noted above, area hospital systems are partnering with physician groups. They seek to secure patient volume through primary care referrals and negotiate favorable contracts with gigantic HMOs, such as, Kaiser Foundation Health Plan, PacifiCare Health Systems, and Foundation Health Systems.

Orange County has no county-administered public health facilities or public health insurance safety net. At present the University of California Irvine (UCI) Medical Center and Children's Hospital of Orange County (CHOC) bear a disproportionate share of the burden for providing unfunded and underfunded indigent healthcare. The financial consequences for both facilities have been severe. As a result, CHOC has agreed to allow nearby St. Joseph Health System to manage the pediatric facility in an effort to stave off financial insolvency. UCI Medical Center has only recently decided to remain independent after extensive lease negotiations with Tenet and Columbia. In an effort to provide an innovative county-based solution to the burden of financing indigent care, Orange County has decided that CalOptima, the county's Medi-Cal managed care plan, will assume responsibility for servicing and funding the county's indigent population.

Los Angeles businesses have yet to organize any large employer healthcare purchasing coalition comparable to the San Francisco area's Pacific Business Group on Health (PBGH). Observers attribute the low interest of area businesses in healthcare purchasing coalitions to market competition among managed care plans, which has kept premium rates reasonable for a long period of time. Also, statewide employer coalitions, such as CalPERS (California Public Employees' Retirement System), HIPC (Health Insurance Plan of California), and CalSERS (California Smaller Enterprises Resources Services) provide low-cost healthcare insurance for a significant number of Los Angeles area residents.

Sacramento MSA

Sacramento is home to many state offices and service organizations, including two of the largest area employers, Kaiser Foundation Health Plan and Sutter Health. With a managed care penetration, including HMO and PPO members, close to 90 percent, healthcare issues are always at the forefront of the region's events. Although the major players have not changed in the past year, tension is ongoing between competing healthcare organizations, consumers, and providers. The Sacramento managed care population is controlled by few players, which are fighting for market share in an already saturated market.

Managed care organizations, primarily with their HMO products, have been able to control costs over the past year or so by pushing the costs via capitation down to area providers. However, as these entities purchase more hospitals, physicians groups, and even other managed care plans, they find it difficult to manage all of these organizations at a high level of efficiency. An example of this is Kaiser, the 50-year-old delivery system. Until last year Kaiser was a group-model HMO whose subsidiary, The Permanente Medical Group Inc., capitated all its physicians. In addition, Kaiser owned and built all of its facilities. With Kaiser holding the purse strings, the organization ran at maximum efficiency. Yet due to market competition and pressures, Kaiser began affiliating with hospitals and physicians that were not exclusive Kaiser providers. While this allowed for Kaiser to keep and even slightly increase its membership (from 2.5 million last year to 2.6 million this year in northern California), it did reduce some of the organization's efficiency, generating more expenses.

In addition, length of stays at Kaiser and other Sacramento-area hospitals decreased seven percent last year. Due to Kaiser's excess hospital capacity, the need for staff is shrinking and its facilities are becoming a tremendous financial burden. Hence, Kaiser is now contracting or affiliating with its competitors to keep the facilities full. As a result of less control over its providers, Kaiser's medical expenses are increasing and costs are escalating.

San Diego MSA

San Diego's healthcare market demonstrates that being one of the nation's most mature managed care markets means having an extremely competitive healthcare environment. Pressures on local healthcare delivery in California's southern most metropolitan area include an ongoing need for hospital consolidation and increasing demands for lower reimbursement rates from California's large consolidated HMOs.

Unlike other markets with a comparable population of two to three million residents, San Diego is not experiencing radical transformation of its major healthcare systems, which have remained relatively stable for several years. The area's four integrated delivery systems (IDSs) are:

- Kaiser Permanente includes a 343-bed hospital, a 425-physician group practice, 16 medical centers, and an HMO

- ScrippsHealth includes six hospitals with 1,300 beds, nine outpatient centers, and three medical groups

- Sharp HealthCare includes six hospitals with 1,350 beds, 13 medical centers, three physician groups, and an HMO, Sharp Health Plan

- University of California-San Diego (UCSD) Healthcare includes a two-campus hospital with 562 beds, affiliation with two other hospitals, and a 500-member medical group.

While San Diego's hospital consolidation is far from over, recent events make it unlikely that any of the major not-for-profit hospital systems would convert to for-profit status in the near future.

At the same time, with the area's bed occupancy rate at 50 percent, San Diego's hospitals will continue exploring joint ventures, acquisitions and mergers to develop a sufficiently large and geographically diverse facility and physician network required to sustain capitated managed care contracting.

San Francisco MSA

The scandal surrounding Nashville, TN-based Columbia/HCA Healthcare Corp. has been the major news in the Bay Area over the past six months. The national hospital chain is allegedly involved in Medicare fraud. With the departure of 11 of its 14 highest-ranking executives, Columbia's new executives are restructuring the organization. As part of the restructuring program in the San Francisco MSA, a significant number of hospital assets will be divested.

Hospital activity continues to dominate the healthcare news in San Francisco. Intense competition has prompted a trend toward consolidation of private hospital networks. These huge hospital networks, focusing on maintaining profitability, are emphasizing cutbacks and cost controls. For example, Kaiser Foundation Health Plan of Northern California is closing hospitals in Richmond and Martinez, and Mount Diablo Medical Center (Concord) and Brookside Hospital (San Pablo) are consolidating operations.

F. Conclusion

Healthcare facilities in 1998 have a good deal of change on the horizon. The difference, however, is that the majority of these are expected and foreseeable. The Balanced Budget Act of 1997 provides strict payment guidelines and reductions regarding reimbursement over the next five years, and outlines expected cost savings. With experience in the Prospective Payment arena, many of these facilities are expected to be able to swiftly maneuver into the new mode of operations.

Within the industry, continued mergers and acquisitions are expected on all levels in order to establish market share, develop negotiation leverage, right-size, create economies of scale, and increase operating efficiencies. Hospital facilities, especially in areas with oversupply of beds, are expected to consolidate.

Providers are expected to continue developing and evolving as a result of managed care forces. Again, hospital facilities now have had the opportunity to observe several decades of managed care unfold and have a good idea of key operating factors and competencies necessary for success. These include developing strong network relationships, integrating with physicians, negotiating workable managed care contracts, and enhancing information systems. As employers more actively participate in healthcare, the quality of care delivered by healthcare facilities will be carefully measured and reported. Another major force will be the continued shift of services

away from acute inpatient facilities towards outpatient settings. Patients generally are more satisfied, but the cost of delivering care via the outpatient setting is also significantly less.

For healthcare facilities dealing with post-acute and long term care, growth is expected to continue due to the aging of the population, and industry trends towards utilizing alternatives to inpatient acute care. However, the change in reimbursement to a prospective payment system creates uncertainty for these institutions. Hospitals will have an early competency advantage in working with prospective payments due to their experience with the inpatient reimbursement changes to diagnosis related grouping (DRG) prospective payments during the mid-80s.

G. Bibliography

- Goldman-Sachs Industry Report; 1998 Hospital Issues and Outlook
- Goldman-Sachs Industry Report; 1998 Long Term Care Issues and Outlook
- Goldman-Sachs Industry Report; 1998 Healthcare Pharmaceuticals
- Standard&Poor's Industry Report; Healthcare: Facilities - 1998
- Standard&Poor's Industry Report; Healthcare: Managed Care- 1998
- Standard&Poor's Industry Report; Healthcare: Pharmaceuticals - 1998
- Modern Healthcare - 1998 Multi-Unit Provider Survey
- ProPac - Report to Congress 1997
- "More Attempts by Physicians to Gain Business Decision Making Power Ahead," Business Wire, 09/21/1998
- "Healthcare Fraud a Key Issue," Modern Healthcare, 01/26/1998
- "Analyzing and executing mergers and acquisitions," Healthcare Financial Management, 05/01/1997
- "Wheeling and Dealing: Healthcare Keeps Up Consolidation; Docs Lead Pack," Modern Healthcare, 06/22/1998
- Congressional Budget Office - Expenditures Report
- Hoechst Marion Roussel Managed Care Digest Series - 1996
- American Hospital Association - Industry Study - 1996
- Balanced Budget Act of 1997
- "Hospitals tremble over price tag for 'quake safety fixes," San Francisco Business Times, 04/10/1998
- "An Off Year for Consolidation: '97 Tally Shows Sharp Cutback in Big Corporate Deals," Modern Healthcare, 01/12/1998
- "Health Premiums to Rise Insurers Set to Hike Rates an Average of 5 Percent," Rocky Mountain News, 10/19/1997
- "Hospitals Tremble Over Price Tag for 'Quake Safety Fixes'," San Francisco Business Times, 04/10/1998

- "Healthcare IT Market Growth Projected Into New Millennium," PR Newswire, 09/01/1998
- "Y2K Hits CIO's Hot Button: Millennium Bug Invades IS Priorities, Survey Shows," Modern Healthcare, 08/10/1998
- "Year 2000 Computer Problem and HealthCare Industry," Congressional Testimony by Federal Document Clearing House, 07/23/1998
- "More Hospitals Are Replacing or Upgrading Financial Systems to meet Changing Business Demands," Health Data Management, 07/19/1998
- "Expect To See Your Health Care Premiums Rise, Companies Will pass Higher Costs to Employees in 1998," New York Times, 10/19/97
- Summary of Health Care Financing Administration (HCFA) FY 1999 Annual Performance Plan; www.hcfa.gov/stats/apps1999.htm
- "Decision Due in Three-Way HIPC Race," Business Journal-Sacramento, 07/31/1998
- "Health Care Consumerism: Its Impact on Health Care Providers in the 21st Century," Vital Speeches, 07/01/1998
- "Value in Healthcare: What Providers and Employers Say," Healthcare Financial Management, 07/01/1998
- "States Unable to Deliver Much-vaunted HMO reform," The Orange County Register, 08/30/1998
- "Legislative Bills," San Francisco Examiner, 08/29/1998
- "California Senate Passes Safe Nursing Care Bill - Key Mandate on Patients' Rights," Business Wire, 09/02/1998
- "Statelines - California: Multiple HMO Bills Sent to Governor," American Health Line, 08/28/1998
- "Enrollment in California Health Plans Tops 20 Million; One in Seven Members Nationwide Reside in the State," Business Wire, 08/13/1998
- "Growing Like Wild: Hospitals Enter Booming Assisted Living Business," Modern Healthcare, 08/03/1998

- "Bad News at Physician-Management Firms Leave Investors Cold," Dow Jones Online News, 07/31/1998
- "FPA Bankruptcy could be big pain for doctors," The San Diego Union-Tribune, 07/23/1998
- "Black and Blue: California Systems, Blue Cross Settle Bruising Contract Disputes," Modern Healthcare, 08/10/1998
- "Budgetary Implications of the Balanced Budget Act," Congressional Budget Office Memorandum, 12/1997

SECTION V: ANALYSIS OF DEBT SERVICE COVERAGE RATIOS

A. Definition of the Debt Service Ratio

Debt service ratios are used to determine a borrower's ability to service its debt. At the direction of Cal-Mortgage, Ernst & Young LLP calculated the following two debt service ratios:

Cash Flow Debt Service Ratio (Cash Flow Ratio)
Total Income Debt Service Ratio (Total Income Ratio)

These ratios are defined as follows:

Cash Flow Ratio = (Total Revenues less Total Expenses excluding Interest Expense and excluding Depreciation and Amortization) / (Interest Paid plus Current Portion of Long-Term Debt plus Capital Leases plus Sinking Fund Payments). This ratio measures whether a borrower can pay its debt service from funds generated by the revenues minus the expenses incurred during the year. Since depreciation and amortization are non-cash expenses, they do not affect the cash available for debt service. Thus, they are excluded from total expenses.

Total Income Ratio = (Total Revenues less Total Expenses excluding Interest Expense and including Depreciation and Amortization) / (Interest Paid plus Current Portions of Long-Term Debt plus Capital Leases plus Sinking Fund Payments). This ratio, which is a more stringent criterion than the cash flow ratio, measures whether a borrower can pay its debt service from funds generated by total income minus total expenses which includes depreciation and amortization.

The cash flow ratio measures the short-term viability of a borrower since it ignores the cost of capitalized equipment that will eventually require replacement. The total income ratio measures the long-term viability of a borrower for it takes into account depreciation and amortization. In

other words, the total income ratio includes the cost of capitalized equipment that will eventually need to be replaced.

A debt service ratio of 1.0 means all funds available after netting expenses against revenue from the current year's operations must be used to service debt. If a borrower has a debt service ratio of less that 1.0, the borrower does not have the ability to service its debt from operations. A debt service ratio of 1.2 (the Cal-Mortgage bench mark for 1995) provides some assurance that a borrower can continue to meet its debt service under current conditions.

Exhibits 4 and 5 on pages 56 and 62, respectively, show graphically a comparison of the debt service ratios of borrowers insured by Cal-Mortgage for 1994, 1995, 1996, and 1997 by facility type, and are segmented by ratio as follows:

- Less then 1.0
- Between 1.0 and 1.19
- Greater than 1.19

The exhibits are arranged as follows:

- Exhibit 4 - Cash flow ratio comparison by original insured loan amount
- Exhibit 5 - Total income ratio comparison by original insured loan amount

There are six pages for each exhibit, arranged as follows:

- Page 1 - Total for all projects
- Page 2 - Hospitals
- Page 3 - Multilevel Facilities
- Page 4 - Clinics
- Page 5 - Skilled Nursing Facilities (SNFs)
- Page 6 - Other Facilities

Other Facilities include Group Homes, Hospices, Intermediate Care Facilities, Adult Care Centers, Chemical Dependency Recovery Hospitals, and Blood Banks.

B. Ability to Cover Debt Service

In reviewing the cash flow graphs based on the distribution by original loan amount (Exhibit 4) for all facility types combined, E&Y observed that the percentage of borrowers below the 1.0 cash flow debt service ratio has been slightly higher for the last two years. In 1994 18 percent of the borrowers were below the 1.0 cash flow debt service ratio and by 1997, 20 percent of the borrowers were below the ratio. This increase is largely due to hospitals, which show a substantial deterioration in their cash flow debt service ratios. The proportion of hospitals below the 1.0 cash flow debt service ratio went from 2 percent in 1994 to 28 percent in 1997.

Total income ratios (Exhibit 5), similar to the cash flow ratios, show higher percentages of borrowers below the 1.0 ratio in the last two years. The proportion of borrowers in the ratio less than 1.0 category changed from 47 percent in 1994 to 61 percent in 1997. Hospitals once again seem to be the driving force of this deterioration, showing a substantial increasing proportion of borrowers below the 1.0 income ratio in all years. The percentage of hospitals below the 1.0 income debt service ratio has doubled, going from 35 percent in 1994 to 71 percent in 1997. All the other categories, however, show signs of improvement in their income ratio between 1996 and 1997.

Exhibits 1 and 2, on pages 50 and 51, respectively, summarize the debt service ratios for the Cal-Mortgage insured borrowers. In order to better understand the borrower's ability to cover debt service, three different types of ratios were calculated by facility type: weighted, average, and median. The weighted ratio is calculated by giving a weight to individual ratios which is proportional to the size of each company's component used in the ratio. It is similar to assuming that all the companies are grouped into a single company before calculating the ratios. The average ratio is calculated by adding the borrowers within a facility type and dividing by the

number of borrowers regardless of loan size. The median ratio is the halfway point between the highest and lowest ratio, with 50 percent of the borrowers' ratios being greater than the median and 50 percent being less than the median regardless of loan size or number of borrowers. Since a debt service ratio can be impacted by the size of the loan or the financial health of one or more borrowers, Exhibits 1 and 2 were designed to show the health of the Cal-Mortgage portfolio under different scenarios. Each type of ratio has unique characteristics and can be influenced by an abnormal ratio, e.g., a cash flow ratio in one year that contains no debt payments and then contains a doubling of debt payments in the second year.

The ratios in Exhibit 1 and Exhibit 2 were calculated from the financial information contained in the Appendix. When reviewing the total income ratios and the total cash flow ratios, the median values show clearly lower ratios for 1997 and 1996 compared to prior years. The downward trend for hospitals also appears obvious when observing the median values for both sets of ratios.

In summary, the overall strength of the Cal-Mortgage portfolio shows some deterioration during the last two years, because of the increase in the proportion of borrowers falling below the 1.0 debt service ratio.

Exhibit 1
Summary of Debt Service Ratios
Cal-Mortgage Portfolio through June 30, 1998

	Total Income Debt Service Ratio				Cash Flow Debt Service Ratio			
Facility	**1997**	**1996**	**1995**	**1994**	**1997**	**1996**	**1995**	**1994**
Hospital								
Weighted	0.64	0.57	1.06	1.25	1.52	1.28	2.10	2.29
Average	1.24	0.79	0.91	1.30	2.30	1.73	2.13	2.48
Median	0.69	0.89	0.90	1.30	1.57	1.62	2.00	2.38
Multilevel								
Weighted	1.21	2.30	0.85	0.85	2.93	3.92	1.61	1.51
Average	1.83	1.70	1.11	1.15	2.64	2.47	1.78	1.86
Median	1.10	1.04	1.11	0.91	1.93	1.81	1.76	1.55
SNF								
Weighted	0.55	0.74	1.26	0.99	1.18	1.42	1.81	1.51
Average	0.36	0.36	1.15	1.16	1.26	1.32	1.78	1.78
Median	0.77	0.69	0.71	0.86	1.25	1.50	1.25	1.52
Clinics								
Weighted	1.27	-0.06	0.78	1.46	2.14	0.83	1.78	2.42
Average	1.08	0.66	1.58	6.90	1.92	1.45	2.55	9.12
Median	0.88	0.77	1.02	1.42	1.49	1.48	1.63	2.15
Other								
Weighted	1.12	1.22	1.23	1.42	1.82	1.86	1.88	2.08
Average	2.01	2.67	6.00	1.66	3.20	3.99	10.02	2.42
Median	1.17	1.08	1.21	1.22	1.62	1.82	1.74	1.87
Total								
Weighted	1.03	1.49	0.91	0.97	2.38	2.69	1.74	1.72
Average	1.47	1.38	2.76	2.67	2.46	2.35	4.69	3.85
Median	0.97	0.97	1.04	1.22	1.69	1.75	1.78	2.00

Note:
1. The weighted ratio is calculated by giving a weight to individual ratios which is proportional to the size of each company's component used in the ratio. It is similar to assuming that all the companies are grouped into a single company before calculating the debt service ratios.
2. The average ratio is calculated by adding the borrowers within a facility type and dividing by the number of borrowers regardless of loan size.
3. The median ratio is the halfway point between the highest and lowest ratio, with 50% of the borrowers' ratios being greater than the median and 50% being less than the median regardless of loan size or number of borrowers.

Exhibit 2
Summary of Debt Service Ratios
Cal-Mortgage Portfolio through June 30, 1998
Adjusted to Remove Anomalies

	Total Income Debt Service Ratio				Cash Flow Debt Service Ratio			
Facility	**1997**	**1996**	**1995**	**1994**	**1997**	**1996**	**1995**	**1994**
Hospital								
Weighted	0.80	0.73	1.12	1.23	1.94	1.61	2.14	2.27
Average	1.31	0.92	1.17	1.27	2.44	1.93	2.39	2.47
Median	0.74	0.99	0.97	1.31	1.80	1.74	2.14	2.43
Multilevel								
Weighted	1.71	1.54	1.13	0.89	2.47	2.23	1.76	1.48
Average	1.86	1.66	1.12	1.16	2.62	2.38	1.78	1.87
Median	1.16	1.03	1.12	0.94	1.82	1.80	1.78	1.55
SNF								
Weighted	0.39	0.63	1.47	1.10	1.16	1.40	2.11	1.69
Average	0.25	0.23	1.22	1.25	1.27	1.29	1.91	1.91
Median	0.76	0.64	1.24	1.23	1.48	1.53	1.80	1.92
Clinics								
Weighted	1.41	0.70	1.12	1.65	2.26	1.51	2.16	2.60
Average	1.19	1.12	1.32	2.04	2.03	1.90	2.32	2.92
Median	0.97	0.97	1.02	1.46	1.62	1.75	1.63	2.28
Other								
Weighted	1.15	1.32	1.35	1.60	1.86	1.97	2.03	2.28
Average	2.07	2.91	1.40	1.74	3.29	4.32	2.11	2.52
Median	1.22	1.14	1.28	1.25	1.66	1.82	1.76	2.00
Total								
Weighted	1.15	1.01	1.15	1.16	2.10	1.81	2.01	1.99
Average	1.56	1.61	1.27	1.56	2.58	2.63	2.14	2.43
Median	1.02	1.01	1.11	1.30	1.75	1.80	1.83	2.09

Notes:
1. Facilities listed in the invasion timeline were omitted, Alta Med, L.A.C.A.D.A., Nipomo, Clinicas del Camino Real, AIDS Healthcare Foundation, Big Valley, Humboldt, Corcoran, Butte Valley Tulelulake, Easter Seal, Kazi House, Mary Lind Foundation, Hermandad, Kern Valley, Lytton Gardens, Salud Para La Gente, Villa View, Sequoia, Third Floor
2. Watts Health Foundation and Mercy McMahon Terrace were omitted in 1996 and 1997

C. Size and Composition

As of June 30, 1998, the Cal-Mortgage portfolio consists of 206 projects with a total outstanding insured loan amount of $1,626 million. The financial statements were not available in some years for the following: (An X denotes the statement was not available.)

Borrower	1997	1996	Loan Amount Insured
Corcoran District Hospital	X		$ 1,555,000
Fallbrook Hospital	X		$ 5,000,000
Los Angeles Centers for Alcohol and Drug Abuse	X		$ 1,515,000
Mary-Lind Foundation	X		$ 905,000
Nipomo Community Medical Center	X	X	$ 770,000
Salud Para La Gente	X		$ 1,865,000
Sunset Haven	X		$ 6,320,000
The Third Floor	X		$ 3,440,000
West Contra Costa	X	X	$ 5,000,000

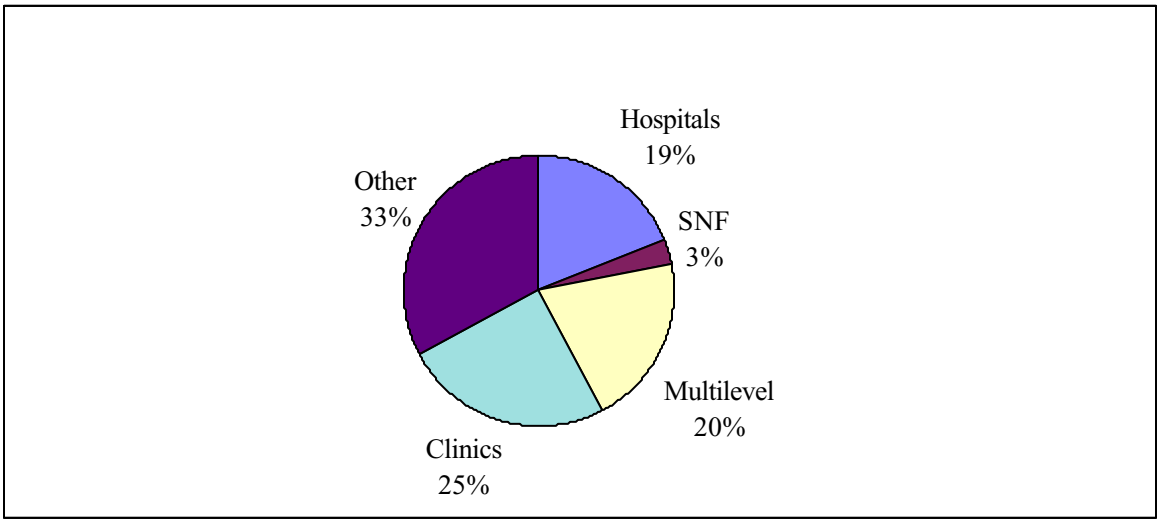
Numerous borrowers have more than one insured project in the Cal-Mortgage portfolio. To avoid duplication, debt service ratios were calculated only for each borrower. A list of projects with common borrowers are as follows:

Borrower	Project Name
AIDS Healthcare Foundation	AIDS Healthcare Foundation '92 AIDS Healthcare Foundation '98 Linn House
Clinicas del Camino Real	Clinicas del Camino Real '90 Clinicas del Camino Real '93
Del Norte Clinics, Inc.	Orland Family Health Center Lindhurst Family Health Center
Eskaton Properties, Inc.	Eskaton Village - Phase II Eskaton Properties, Inc.
Foundation to Assist California Teachers	Villa Gardens - A Villa Gardens - B Villa Gardens '97 Vista Del Monte '90 Vista Del Monte '96
Friends Assn. Of Services for the Elderly	Friends House '92 Friends House '93
Gardner Family Care Corp.	Gardner Health Center FHF-Gardner Family Health Network
Gold Country Health Center, Inc.	Bixby Knolls Mayflower Gardens
Golden Valley Health Centers	Childs Avenue Clinic West Modesto Medical Clinic
Guadalupe Homes	Guadalupe Homes '91 Guadalupe Homes '94
Kazi House, Inc.	Kazi House, Inc. '91 Kazi House, Inc. '92
Marshall Hospital	Marshall Hospital '93 Marshall Hospital '98
Redlands Community Hospital	Redlands Community Hospital '87 Redlands Community Hospital '90
Redwood Senior Homes and Services	Redwood Terrace Lutheran Home Redwood Town Court

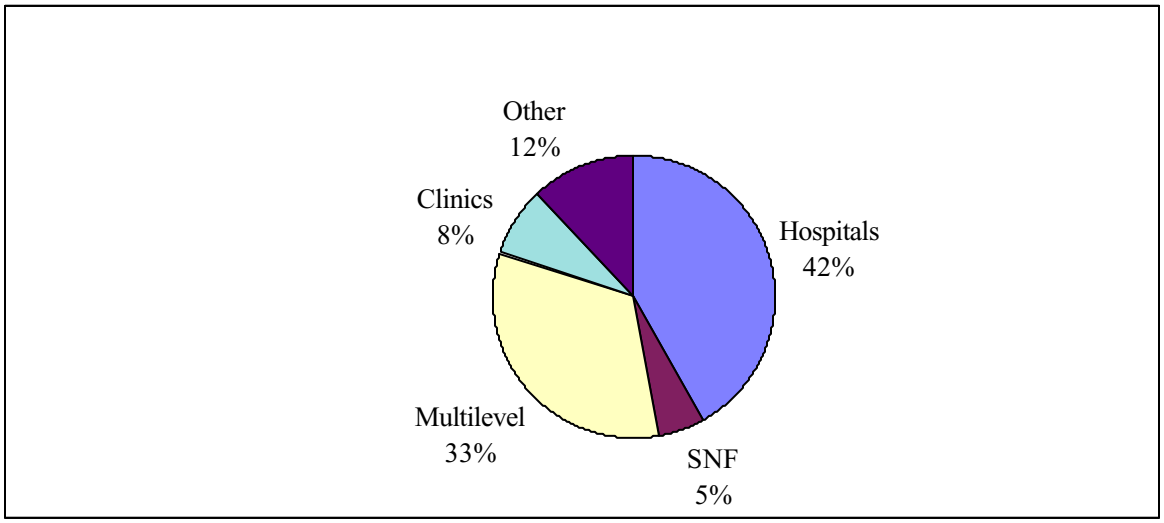
Salud Para la Gente	Salud Para la Gente ’90 Salud Para la Gente ‘92
Sequoia Community Health Foundation	Sequoia Community Health Foundation ’86 Sequoia Community Health Foundation ’88 Sequoia Community Health Foundation ’90 Sequoia Community Health Foundation ‘93
Sierra View District Hospital	Sierra View District Hospital ’86 Sierra View District Hospital ‘92
Southern Calif. Alcohol & Drug Programs	Heritage House S.C.A.D.P. ’93 S.C.A.D.P. ‘97
The Third Floor	Third Floor ’91 Third Floor ‘93
Valley Care Health System	Valley Memorial Hospital ’93 Valley Care Hospital ’92 Valley Care Hospital ‘97
Villa View Community Hospital, Inc.	Villa View Community Hospital, Inc. ‘91 Villa View Community Hospital, Inc. ‘92
Walker Senior Housing Corp.	Sierra Sunrise Lodge ’91 Sierra Sunrise Lodge ‘93
Watsonville Community Hospital	Watsonville Community Hospital ’95 Watsonville Community Hospital ‘96

As of June 30, 1998, hospital projects account for the largest share of original loans at 48 percent (See Exhibit 3, Graph 2 on page 55). Multilevel facilities have the second largest share at 32 percent, while all other insured facilities, which include clinics, skilled nursing facilities and other types of health facilities, constitute the remaining 20 percent of the insured loan amounts. Exhibit 3, Graph 1 shows the distribution of loans by the number of projects. Both graphs on Exhibit 3 include loans and projects for facilities missing financial information for 1996 and 1997.

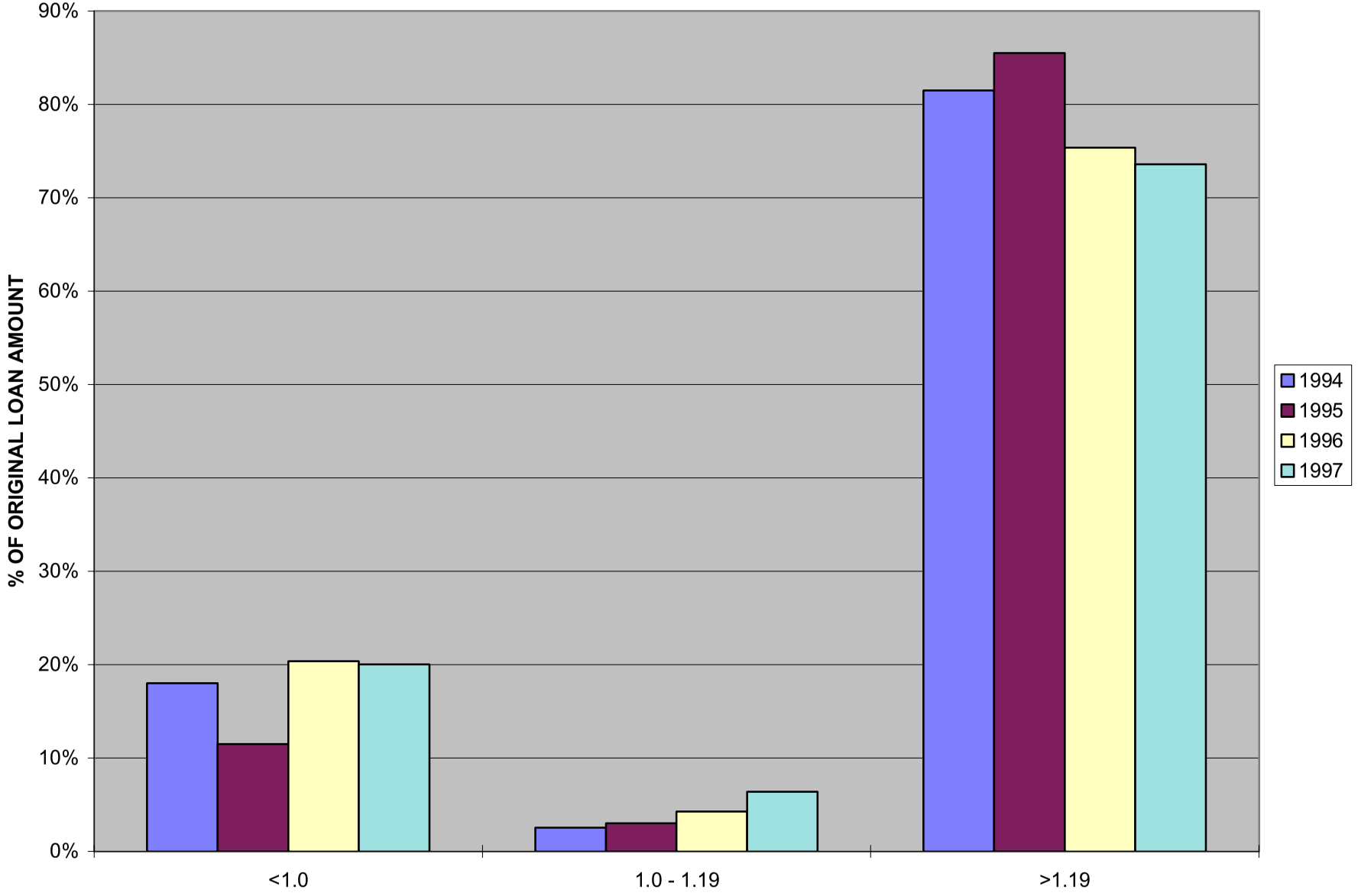
Graph 1
Cal-Mortgage Project Distribution
by Number of Projects as of June 30, 1998



Graph 2
Cal-Mortgage Project Distribution
by Total Amount Insured as of June 30, 1998
(000's)

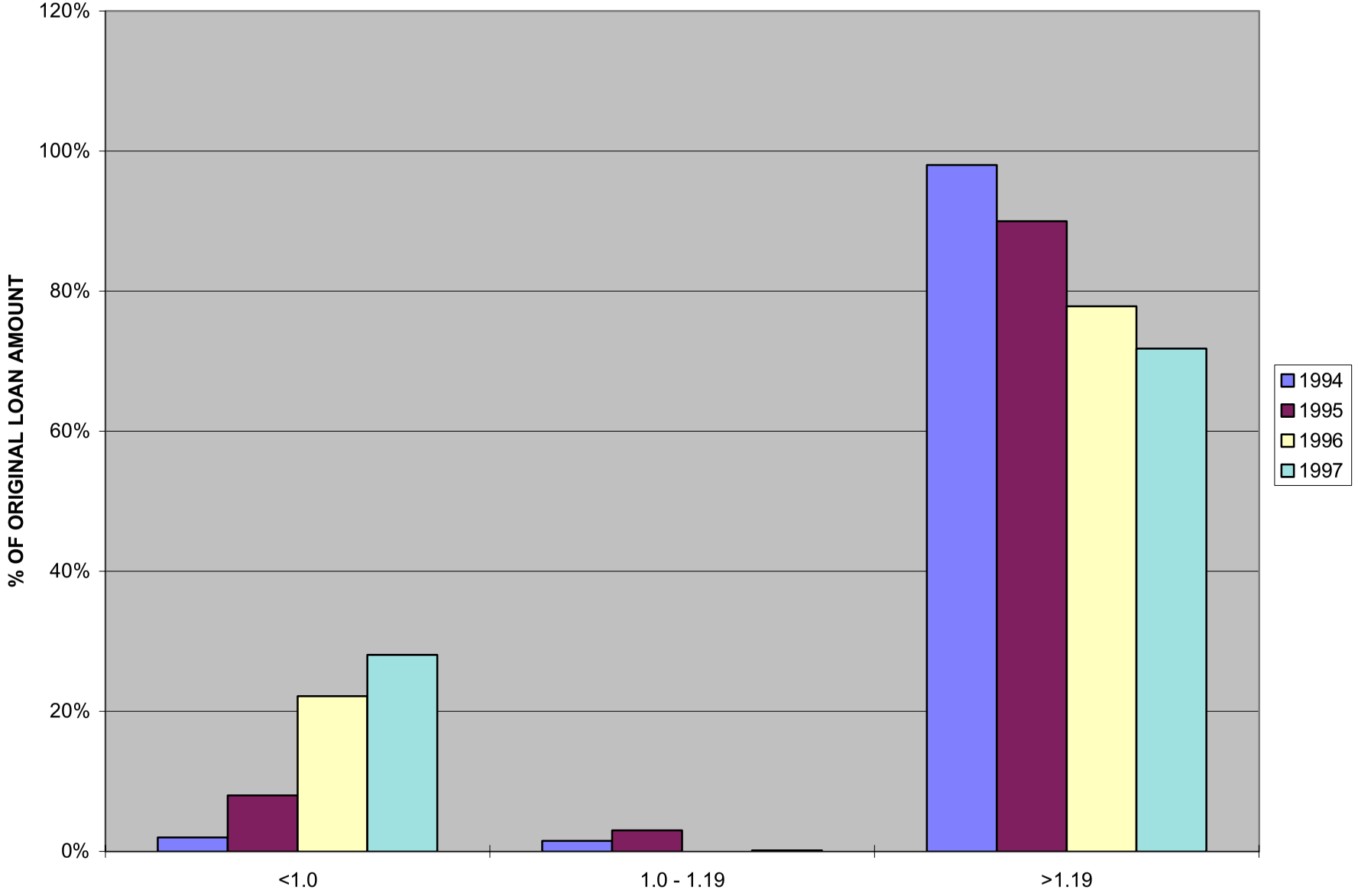


CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-TOTAL



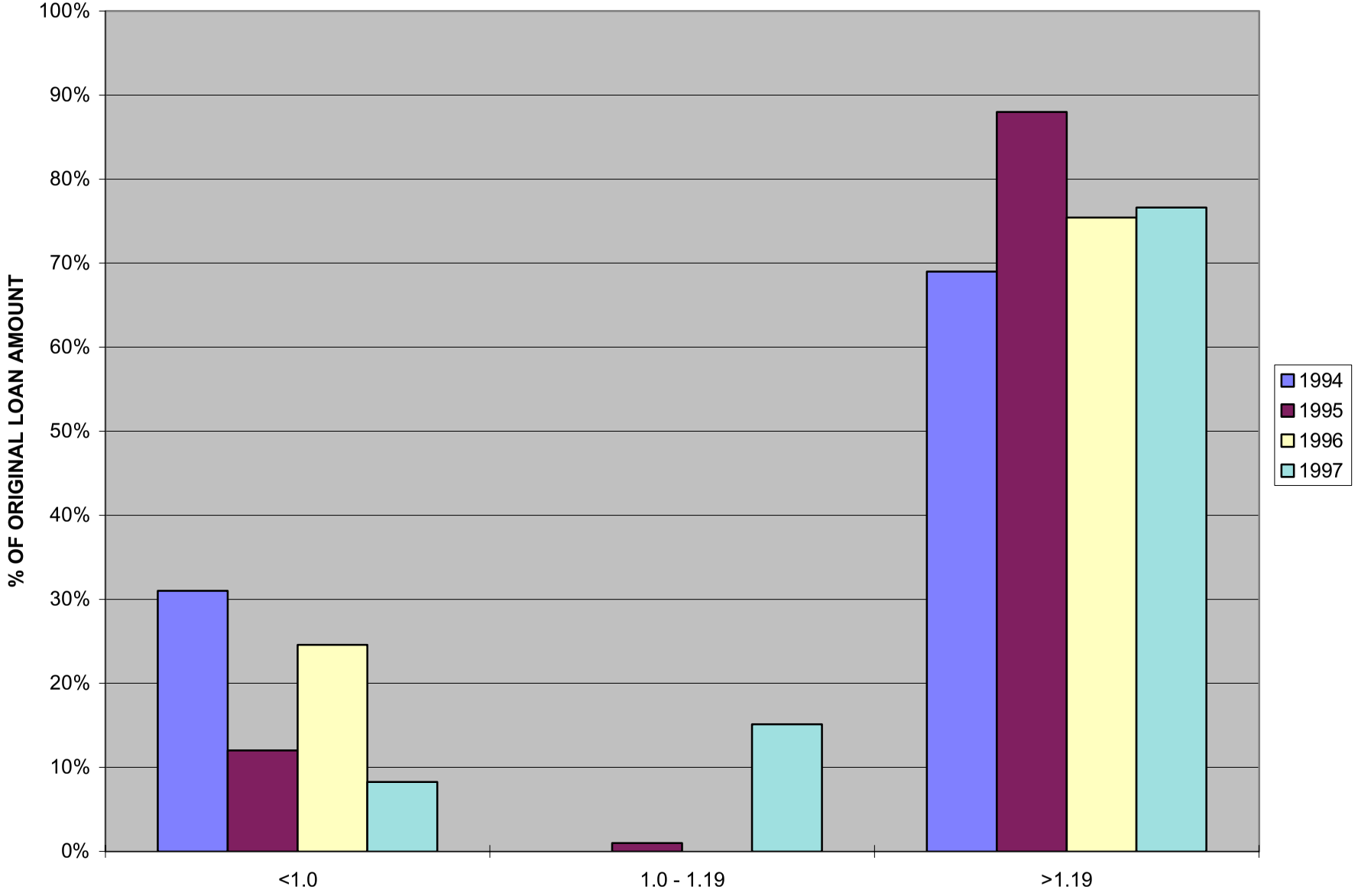
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-HOSPITAL



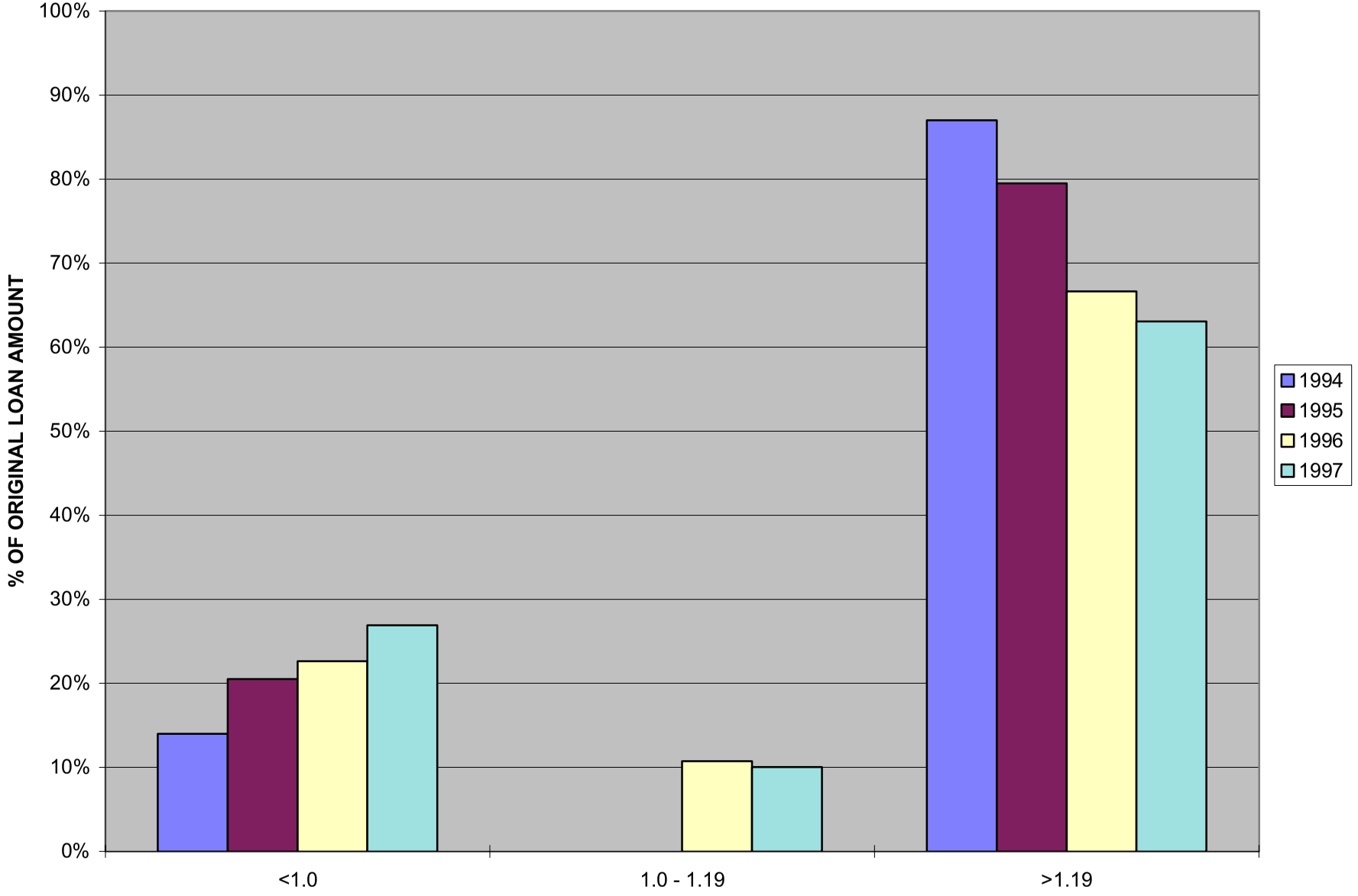
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-MULTI



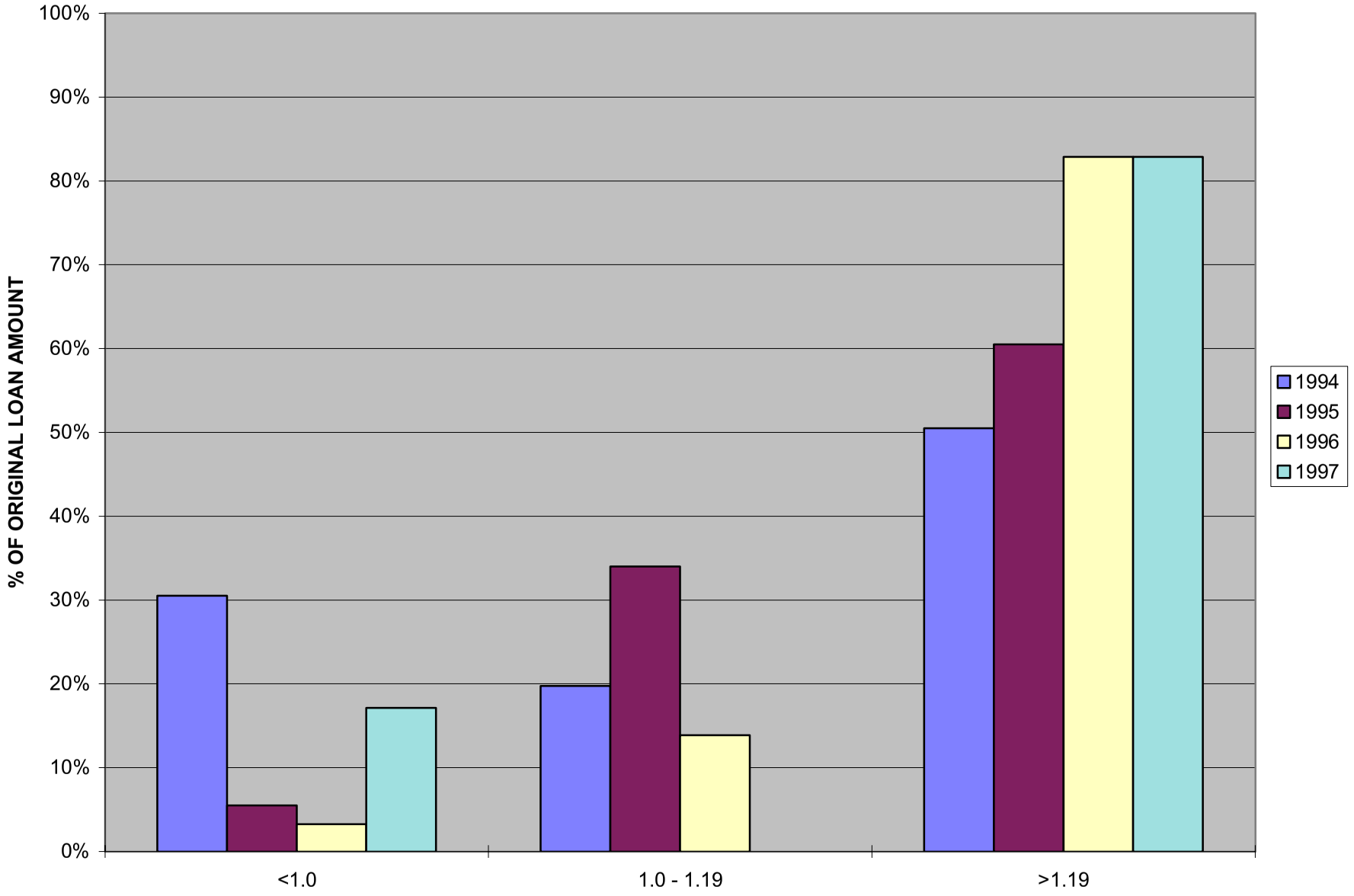
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-CLINIC



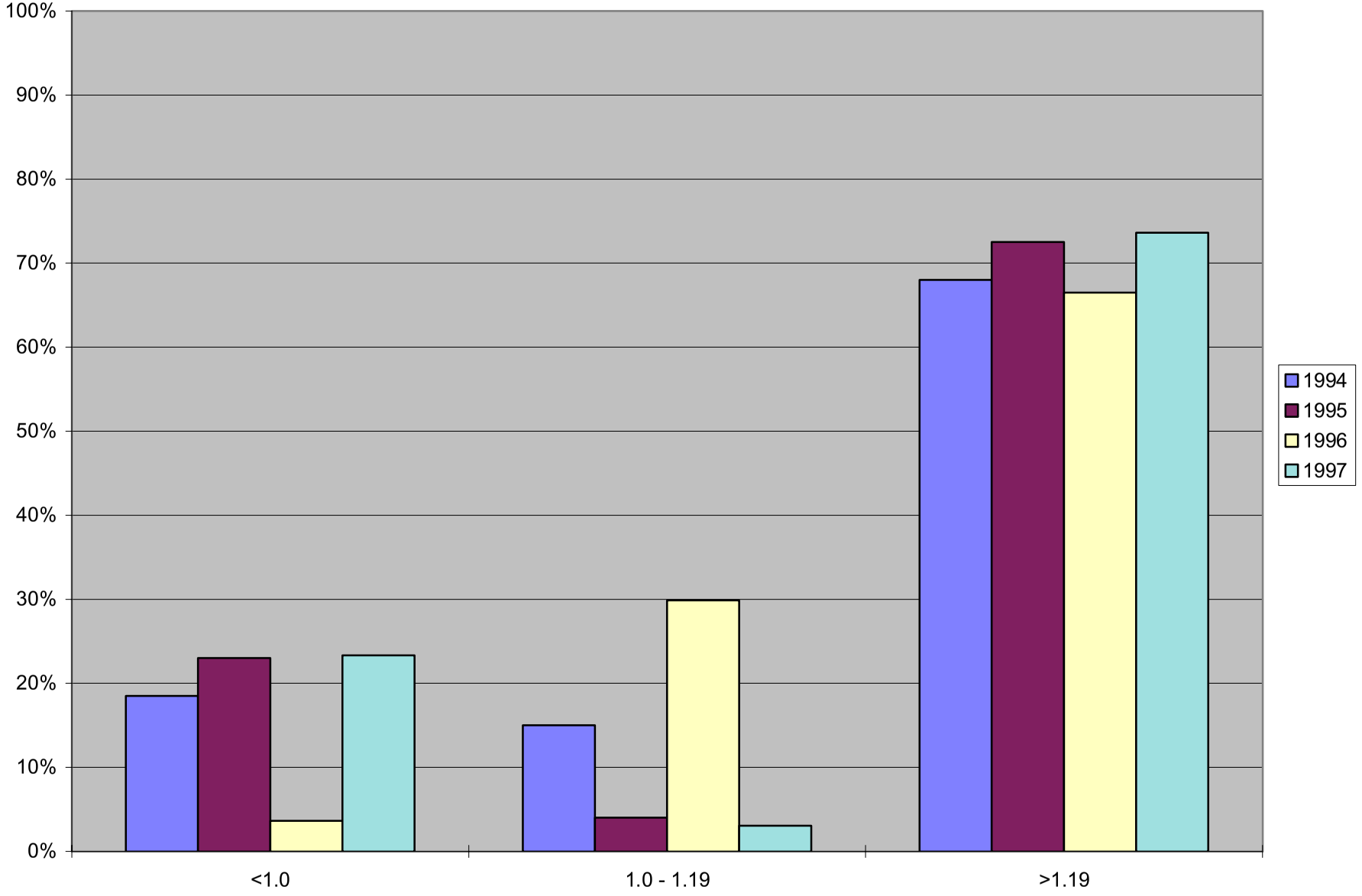
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUN-SNF



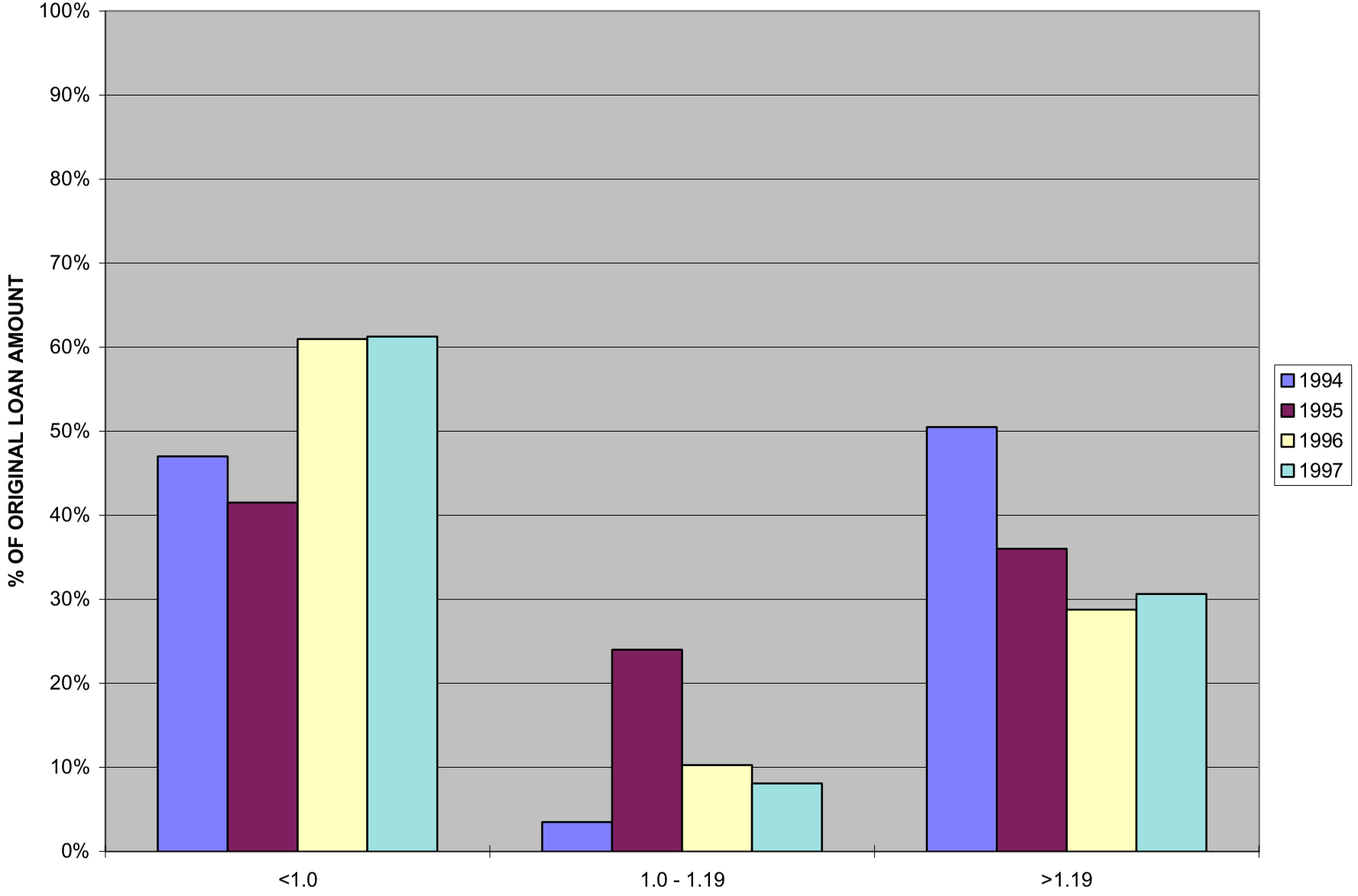
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
CASH FLOW RATIOS
DISTRIBUTIONS BY ORIGINAL LOAN AMOUNT- ALL OTHER



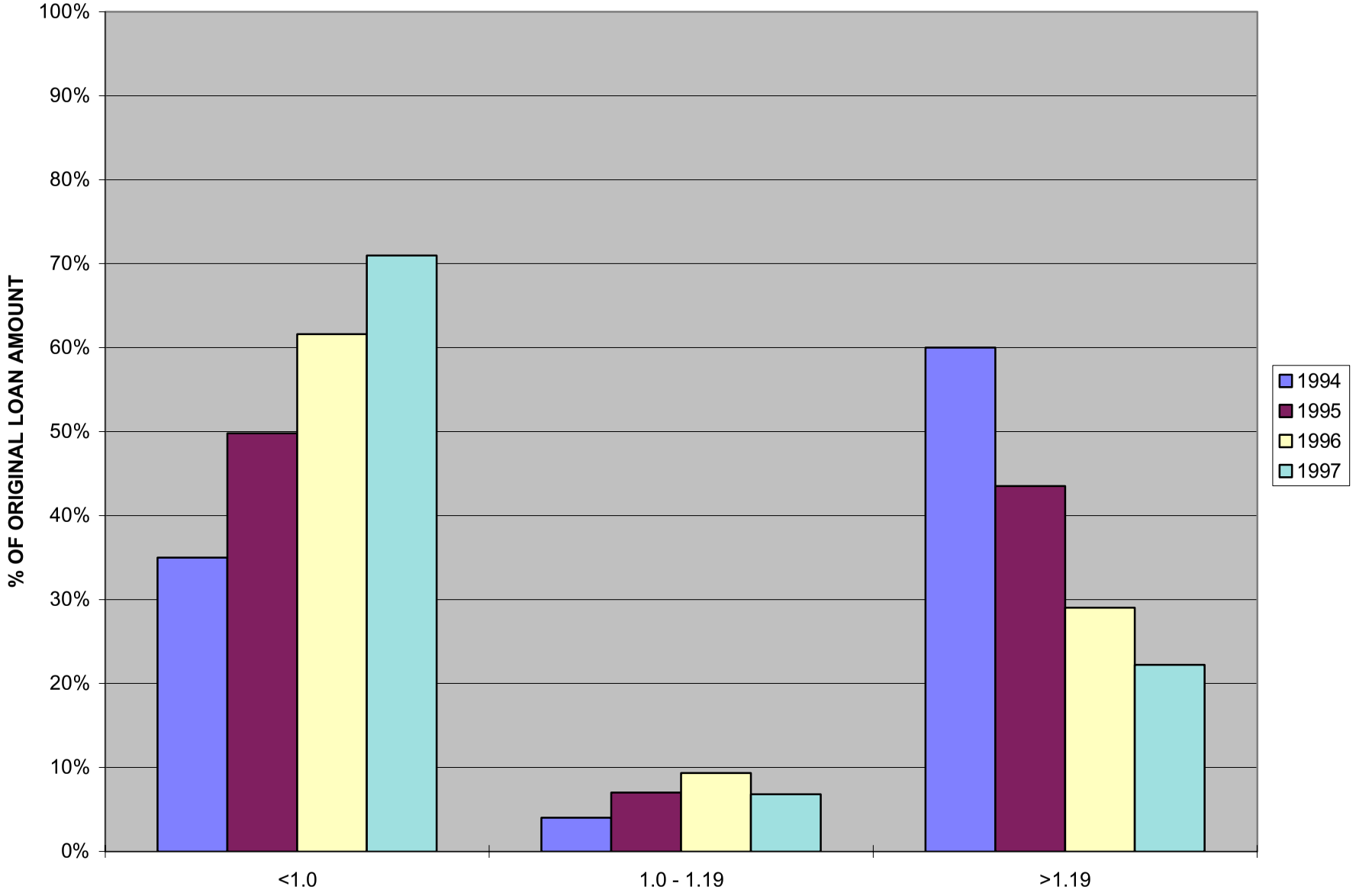
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-TOTAL



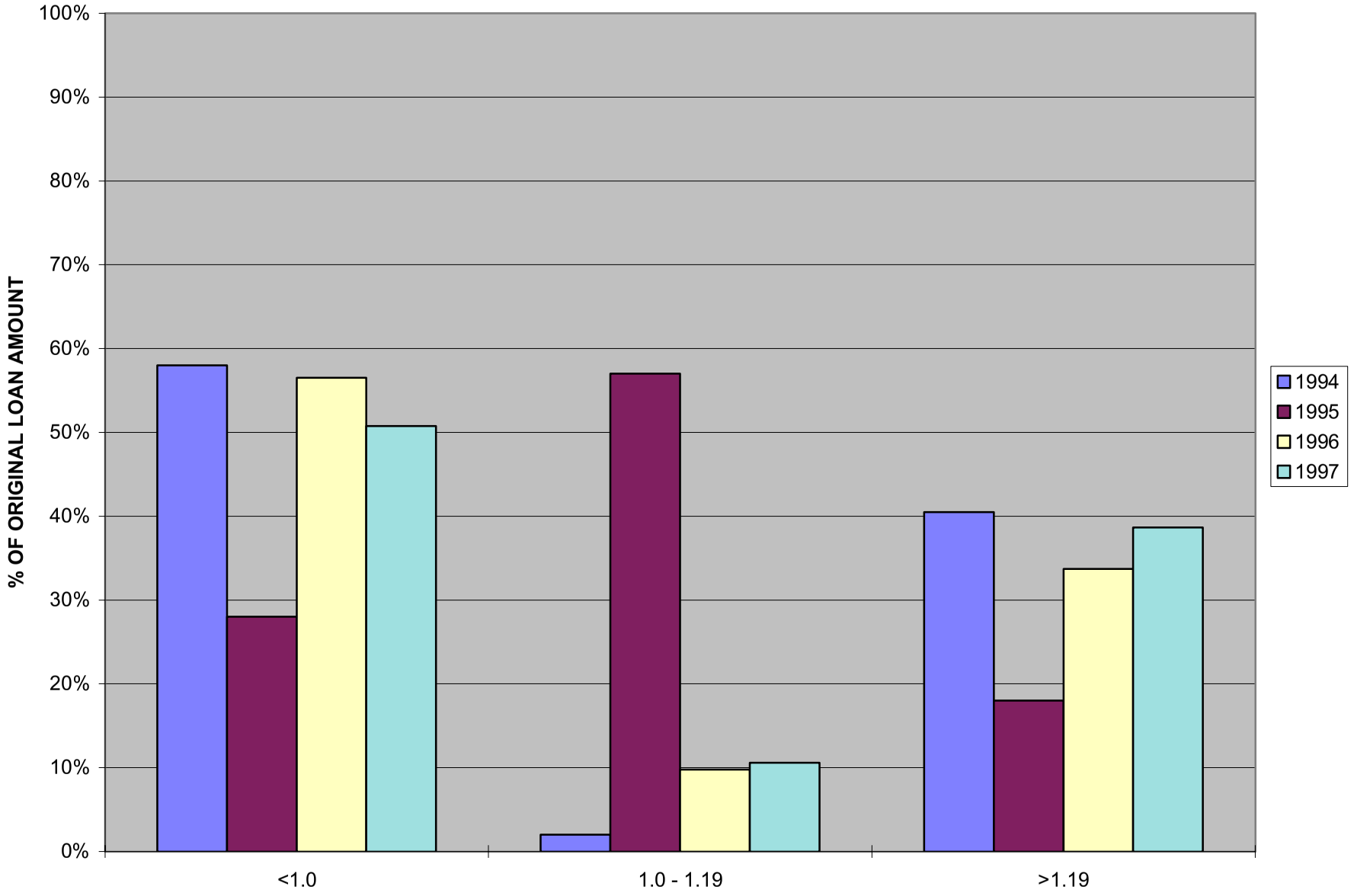
Note: If bar is missing, percentage is 0%

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-HOSPITAL



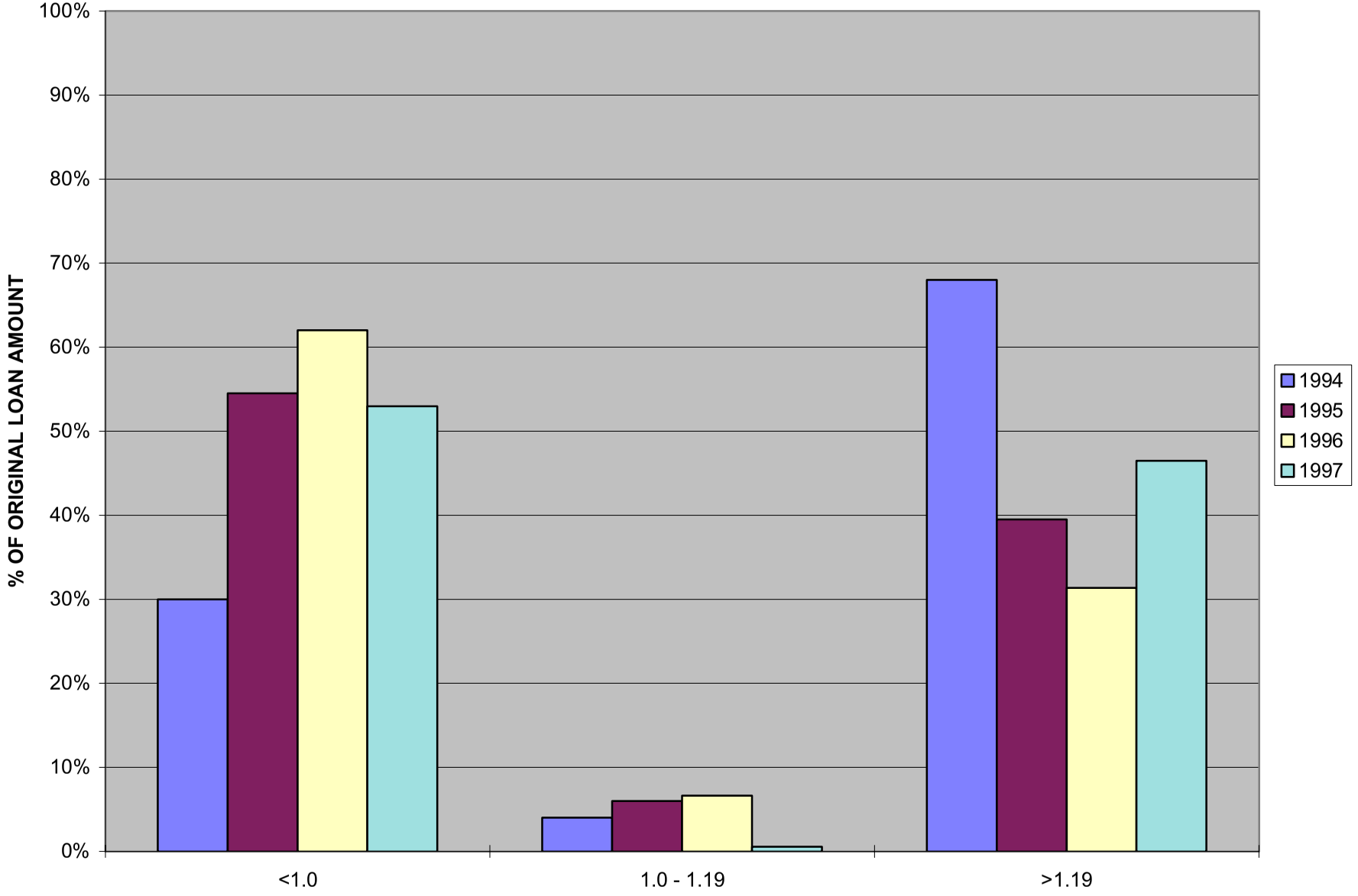
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-MULTI



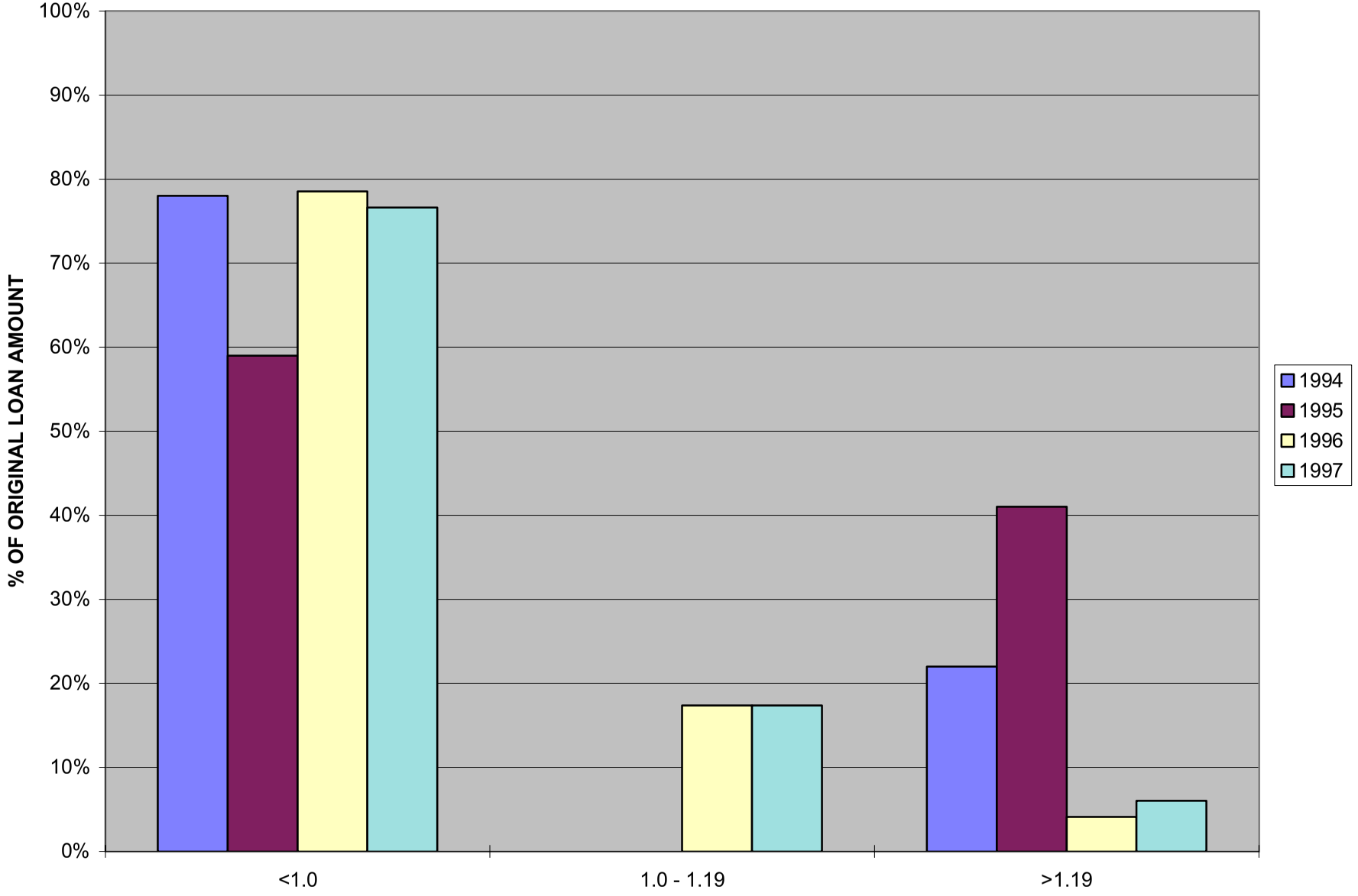
Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-CLINICS



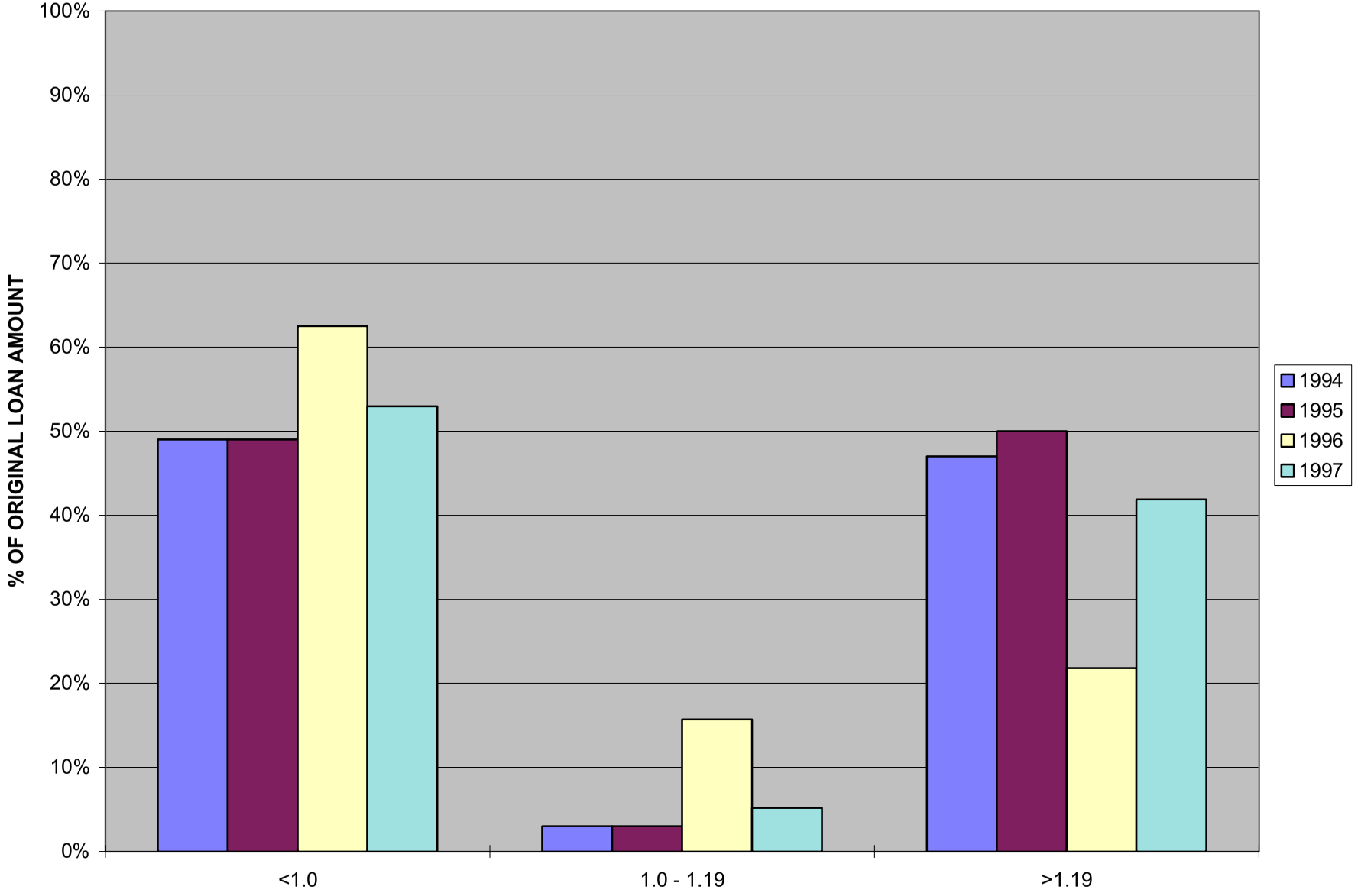
Note: If bar is missing, percentage is 0%

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-SNF



Note: If bar is missing, percentage is 0%.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
TOTAL INCOME RATIOS
DISTRIBUTION BY ORIGINAL LOAN AMOUNT-ALL OTHER



Note: If bar is missing, percentage is 0%.

SECTION VI: ANALYSIS OF RESERVE SUFFICIENCY OF THE HFCLIF

A. California Division of Insurance Standard

Agencies that have established standards for reserve sufficiency for bond insurance companies include The California Division of Insurance, The National Association of Insurance Commissioners (NAIC), Moody's Investors Service, and Standard and Poor's. For the purposes of this study E&Y calculated the reserve sufficiency of the funds available to the Cal-Mortgage Program, using the standards required by the California Division of Insurance. Cal-Mortgage's sources of funds available to pay claims include the DSRF of each project, the sale of the assets over which Cal-Mortgage holds security interest, and the HFCLIF. In general, the DSRF represents twelve months of payments for each project. For some projects, the DSRF is less than twelve months of payments because of the date of the loan (loans granted prior to 1978 require only three months of reserve) and because certain loans in default may have used some or all of their DSRF.

Private insurers segment their sources of funds to pay claims into four categories which do not align with Cal-Mortgage's sources of funds. Their sources of funds available to pay claims for private insurers include the following:

- Paid-in capital and surplus
- Case reserve
- Contingency reserve
- Unearned premium reserve

The Legislature has not required that the Cal-Mortgage Program meet these requirements and has not allowed Cal-Mortgage to establish paid-in capital and surplus, a contingency reserve, or an unearned premium reserve. All of Cal-Mortgage's sources of funds are in the HFCLIF. The Legislature never capitalized the Cal-Mortgage Program, as it was already backed by the State

General Fund. Therefore, the Cal-Mortgage Program is not required to meet the standards of the California Division of Insurance.

1. California Statute

California Insurance Code Sections 12095 through 12118 contain definitions of key terms and reserve requirements (please note this code does not apply to the Cal-Mortgage Program). The following are sections quoted from the Insurance Code:

"Paid-in Capital and Surplus Requirements

(a) No insurer shall be issued a license to transact financial guaranty insurance unless has paid-in capital of at least fifteen million dollars ($15,000,000) and surplus of at least eighty-five million dollars ($85,000,000), and shall at all times thereafter maintain a minimum paid-in capital of fifteen million dollars ($15,000,000) and a minimum surplus of sixty million dollars ($60,000,000).

(b) An insurer licensed in this state and issuing or reinsuring financial guaranty insurance policies in this state prior to January 1, 1991, shall, notwithstanding the provisions of subdivision (a), be deemed to meet the combined paid-in capital and surplus requirements for transacting the financial guaranty insurance business during the period between January 1, 1991, and January 1, 1993, if it has combined capital and surplus of forty-five million dollars ($45,000,000), which includes paid-in capital of at least two million five hundred thousand dollars ($2,500,000).

(c) On and after January 1, 1993, every financial guaranty insurance corporation must fully comply with the condition in subdivision (a) that a minimum paid-in capital of fifteen million dollars ($15,000,000) be held and maintained.

Contingency reserve

(a) An admitted financial guaranty insurance corporation shall establish and maintain a contingency reserve.

(b) With respect to all financial guaranties written prior to and in force as of July 1, 1989:

(1) The financial guaranty insurance corporation shall establish and maintain a contingency reserve consistent with the requirements applicable for municipal bond insurance policies which were in effect prior to July 1, 1989, in an amount equal to 50 percent of earned premiums on those policies.

(c) With respect to financial guaranties of municipal obligation bonds, special revenue bonds and investment grade industrial development bonds written after July 1, 1989:

(2) The total contingency reserve required shall be the greater of 50 percent of premiums written for each such category or the following amount prescribed for each such category:

(A) Municipal obligation bonds, 0.8 percent of principal outstanding.

(B) Special revenue bonds, 1.2 percent of principal outstanding.

(C) Investment grade industrial development bonds secured by collateral or with a remaining term at the date of insurance of seven years or less and utility first mortgage obligations, 1.4 percent of principal outstanding.

(D) All other investment grade industrial development bonds, 1.6 percent of principal outstanding.

Determination of Loss Reserves; Deductions

(a) In addition to the contingency reserve, the case basis method or other method as may be prescribed by the commissioner shall be used to determine loss reserves, which shall include a reserve for claims reported and unpaid net of collateral. A deduction from loss reserves shall be allowed for the time value of money by application of a discount rate equal to the average rate of return on the admitted assets of the financial guaranty insurance corporation as of the date of the computation of the reserve. The discount rate shall be adjusted at the end of each calendar year.

In addition, a reserve component for incurred but not reported claims shall be reasonably estimated if deemed necessary by the financial guaranty insurance corporation, or following an examination or actuarial analysis, by the commissioner.

(b) Except as otherwise permitted by the commissioner, no deduction shall be made for anticipated salvage in computing case basis loss reserves, unless that salvage is held by or under the control of the financial guaranty insurance corporation and would qualify as an admitted asset under Section 1100 and Article 3 (commencing with Section 1170) of Chapter 2 of Part 2 of Division 1 and Article 4 (commencing with section 1190) of Chapter 2 of Part 2 of Division 1, or unless that salvage constitutes or is secured by a clean, irrevocable letter of credit which is approved by the commissioner or complies with the definition of a letter of credit provided in subdivision (e) of Section 12100.

(c) If the insured principal and interest on a defaulted issue of obligations exceed 10 percent of the financial guaranty insurance corporation's capital, surplus, and contingency reserves, its reserve so established shall be supported by a report from an independent source acceptable to the commissioner.

Unearned premium reserve

An unearned premium reserve shall be established and maintained net of reinsurance with respect to all financial guaranty premiums. Where financial guaranty insurance premiums are paid on an installment basis, an unearned premium reserve shall be established and maintained, net of reinsurance, computed on a monthly pro rata basis. All other financial guaranty insurance premiums written shall be earned in proportion with the expiration of exposure, or by such other method as may be prescribed or approved by the commissioner.

Limitation of Exposure to Loss

A financial guaranty insurance corporation admitted to transact financial guaranty insurance in this State shall limit its exposure to loss, net of collateral and reinsurance, as follows:

(a) For municipal obligation bonds and special revenue bonds:

(1) The insured average annual debt service with respect to any one entity and backed by a single revenue source may not exceed 10 percent of the aggregate of the financial guaranty insurance corporation's capital, surplus, and contingency reserve.

(2) The insured unpaid principal issued by a single entity and backed by a single revenue source may not exceed 75 percent of the aggregate of the financial guaranty insurance corporation's capital, surplus, contingency reserve."

2. Calculation of the Reserve

If Cal-Mortgage were required to follow the reserve requirements set forth by the California Division of Insurance, its required reserve would be as follows, which is explained in more detail below:

($ millions)

Reserve Type	E&Y	1997 Mercer Report
Paid in capital and surplus	$ 75.0	$ 75.0
Contingency	13.0	15.4
Case and IBNR*	124.6	142.6
Unearned Premium	4.0	4.5
TOTAL	$216.6	$237.5

*Incurred But Not Reported

The current amount of required reserve, $216.6 million, is less than the amount determined in the 1997 Mercer Report, $237.5 million.

Capital and Surplus Reserve

As previously quoted, the paid-in capital and surplus requirement is prescribed by law and is $75 million, which is the sum of $60 million plus $15 million.

Contingency Reserve

The contingency reserve is an additional liability reserve established to protect policyholders against the effects of adverse economic cycles or other unforeseen circumstances. Based on our review of the Division of Insurance's definitions, E&Y believes the contingency reserve for municipal obligation bonds best represents the type of bond insured by Cal-Mortgage. (A "municipal obligation bond" is defined as any security, or other instrument, including a State lease, but not a lease of any other governmental unit, under which a payment obligation is created, issued by or on behalf of a governmental unit, to finance a project or undertaking servicing a substantial public purpose, and which is payable or guaranteed by the United States of America or any agency, department, or instrumentality thereof, or by a State agency.) The contingency reserve equals 0.8 percent of the $1,626 million principal outstanding as of June 30, 1998, or $13.0 million (0.008 x $1,626 million = $13.0 million).

Case and IBNR

The estimated case and IBNR reserve equals the net present value of the of the sum of expected payments on currently defaulted projects and our estimate of reserves for future defaulted projects.

Our estimate of the case and IBNR reserve for Cal-Mortgage is $124.6 million.

Unearned Premium Reserve

If a loan is terminated mid term then Cal-Mortgage would need to refund a portion of the annual premium. Therefore, E&Y estimates an unearned premium reserve to account for premiums collected, but not yet earned.

To calculate the unearned premium reserve E&Y used the pro rata method. Under this method, one assumes premiums are written in the middle of the month and are earned uniformly over a one-year period. For example, if a policy was written on January 15, 1999, the policy would not be completely earned until January 15, 2000. The unearned premium reserve on this policy as of December 31, 1999 would be 1/24 (i.e., only 15 days) of the written premium. To determine Cal-Mortgage's unearned premium reserve as of June 30, 1998, E&Y assumes that 23/24 of the premium written in June 1998 is unearned (i.e., since the policies were written on June 15, 1998 only half a month's premium is earned), 21/24 of the premium written in May 1998 is unearned, etc., and 1/24 of the premium written in July 1997 is unearned. By this methodology, E&Y estimated an unearned premium reserve of approximately $4.0 million.

3. Conclusions

The actual amount in the HFCLIF as of June 30, 1998 was $130.4 million on a cash basis. Thus, under California Division of Insurance standards, there would be an $86.2 million shortfall (i.e., $216.6 million minus $130.4 million) as of June 30, 1998. The 1997 Mercer Study concluded that as of June 30, 1996, there was a $97.0 million shortfall. The shortfall has therefore decreased since the last study. The dominant reason for the shortfall is the California Division of Insurance's paid in capital and surplus requirement of $75.0 million. The paid in capital and surplus provides the assurance of funds in case of unanticipated or extraordinary loss. The guarantee of the State provides this assurance for Cal-Mortgage.

B. Cash Flow Standard

Our approach in analyzing the HFCLIF's reserve sufficiency is similar to the approach taken in the 1997 Mercer Study. Under this approach, the inflow and outflow of cash to the HFCLIF is

modeled based on expected default rates, termination rates, payment patterns, amount of new loans, administrative expenses, premium earnings, and investment earnings.

1. Parameters to the Cash Flow Model

a. Expected Default Rate

For purposes of this analysis, the term "default rate" is defined as the amount of loss (net or gross of recoverables) divided by the original loan amount. (This ratio is also known as a loss cost throughout this study.)

In determining the expected default rate, E&Y reviewed the loss cost for the bond insurance industry as represented by the loss experience of the health care industry, based on data compiled by BIA. In addition, E&Y reviewed the countrywide loss experience of bonds issued by the Municipal Bond Insurance Association Corporation (MBIA) and AMBAC Indemnity Corporation (AMBAC) as of December 31, 1997.

Based upon the countrywide loss experience of bonds issued by the health care industry, E&Y calculated a loss cost separately for hospitals and nursing homes (which includes multilevel facilities, including retirement and congregate living projects). The separate loss costs were then combined based on Cal-Mortgage's distribution of hospitals and "nursing homes" (See Exhibit 6, Page 5 on page 86). The term "hospitals" includes all facilities not included in "nursing homes."

To estimate the loss costs, E&Y first organized the countrywide health care defaulted loans by the year the bond was issued (issue year) at successive annual evaluation dates ending December 31, 1998. This resulted in a "triangle" of losses. The triangle represents how the losses have developed (changed) over time.

From this triangle E&Y calculated various average patterns (referred to as loss development factors), and then selected patterns (or loss development factors) that represent our expectation of how the losses will develop in the future. Note that E&Y assumed that the reported loss development patterns of hospitals and nursing homes are similar and combined their gross loss

experience when calculating loss development factors (See Exhibit 6, Page 12 on page 93). E&Y also assumed, for the purpose of this analysis, that default rates do not vary by the size of the original loan or by the term of the loan.

E&Y applied two methods to estimate ultimate losses: the loss development method and the Bornhuetter-Ferguson method.

Under the loss development method, a loss reporting pattern is applied directly to the latest reported losses (original loan amount) to project ultimate losses. Industry reporting patterns may be used as a supplement to, or in place of, a company's own loss reporting patterns if, for example, the company's premium volume is small, if the company has not been insuring for enough years to determine its own reporting pattern to ultimate loss settlement, or if the company's own reporting pattern is volatile.

Under the reported Bornhuetter-Ferguson method, a loss reporting pattern is used to estimate the percentage of ultimate loss that is unreported as of the valuation date. This percentage is then multiplied by an expected ultimate loss to produce expected unreported losses. Estimated ultimate losses are equal to the sum of the expected unreported losses and the actual reported losses.

To apply both methods, E&Y used the loss development patterns based on the combined gross loss experience of hospitals and nursing homes. In applying the Bornhuetter-Ferguson method, E&Y assumed that the expected gross loss cost is equal to the weighted average ultimate gross loss cost for issue years 1981 through 1995. Exhibit 6, Pages 9 and 10, on pages 90 and 91, display the results of these methods for hospitals and nursing homes, respectively.

The selected ultimate gross losses for issue years 1981 through 1991 for both hospitals and nursing homes are equal to the results of the loss development method. The selected ultimate gross losses for issue years 1992 through 1995 for both hospitals and nursing homes are equal to the results of the Bornhuetter-Ferguson method (See Exhibit 6, Page 8, on page 89).

The selected ultimate gross losses were used to calculate the selected loss cost. The selected gross loss cost for both hospitals and nursing homes is equal to the weighted average gross loss costs for issues years 1989 through 1993 (See Exhibit 6, Pages 6 and 7, on pages 87 and 88). E&Y converted the selected gross costs to net loss costs by multiplying the gross loss cost by a ratio of net losses to gross losses based on Cal-Mortgage data.

E&Y determined Cal-Mortgage's ratio of net losses to gross losses separately for hospitals and nursing homes based on the ratios of estimated property value to the original loan amount. E&Y obtained the estimated property values from Connolly Brother's Report. The Connolly Brother's Report, Volume I, contains the appraised value of 55 projects insured by Cal-Mortgage. Hospitals, with respect to Cal-Mortgage, are defined as including the following types of facilities: ADC, ADHC, BB, CDRF, Clinic, CMHC, DD, DD, MD, Hospital, ICF, and SNF. Nursing homes are defined as including the following types of facilities: GH, Hospice, and Multilevel. The ratio of net loss to gross loss was based on approximately 60 percent of the properties listed on the 1993 Connolly report, as E&Y did not have financial statements or the original loan amounts on some of these properties (See Exhibit 6, Page 11, on page 92).

The ratio of net losses to gross losses was applied to our selected loss cost to determine a selected net loss cost for hospitals and nursing homes (See Exhibit 6, Pages 6 and 7, respectively). The selected net loss costs were then combined based upon Cal-Mortgage's mix of original loan amounts issued for loans active as of June 30, 1998 (See Exhibit 6, Page 5 on page 86).

For comparison purposes, E&Y examined AMBAC and MBIA loss costs. The loss costs for these companies are significantly lower than those indicated in our analysis. This is not surprising, as both companies provide bond insurance for other types of entities which have different default rates than health care facilities.

E&Y notes that our selected net loss cost of 0.0087 is larger than the loss cost of 0.0049 selected by Mercer in their 1997 Study. The difference is due to the inclusion of a longer period in the calculation of the average loss cost, from five years for Mercer to fifteen years for E&Y.

b. Expected Termination Rate

Consideration was given to the possibility that some loans will be terminated earlier than expected, and not renewed. In such cases, there is no possibility of the HFCLIF making payments on these loans after termination, nor will the HFCLIF receive premium income on these loans after termination. The expected termination rates are based on discussions with Cal-Mortgage and are as follows:

Fiscal Year Ending	Termination Rate
1999	12.6%
2000-2003	8.5%
2004 and subsequent	0.5%

c. Payment Patterns

Based on BIA data, E&Y estimated the future payout on defaulted loans. As was done in the last study, the payout pattern assumes, to simplify the model, that losses are paid in full in the year the default occurs.

d. Administrative Expenses

E&Y used Cal-Mortgage's estimate of $4.163 million for the administrative expenses in fiscal year 1999 and assumed that expenses would increase 3 percent annually, based on discussions between E&Y and the management of Cal-Mortgage.

e. Premium Earnings

Currently, Cal-Mortgage collects annual premiums equal to 0.5 percent of the average principal balance on each project. These amounts are assumed to include the one-time application fees and certification and inspection fees which Cal-Mortgage collects on new applicants, which are equal to 0.4 percent of the original loan amount.

When determining the premium earned by fiscal year, E&Y assumed Cal-Mortgage would insure new and refinanced loan amounts of $50 million each of five fiscal year after fiscal year 1998, and $60 million each fiscal year thereafter, based on estimates provided by Cal-Mortgage.

f. Investment Earnings

Investment earnings are equal to the product of a selected investment yield and the sum of the fund balance as of June 30 of the prior year plus one half the written premium minus one half of the paid losses for the current year. The selected investment yield is based on a review of the yields the HFCLIF has earned over the last five years and is equal to the average investment yield in 1998 (5.699 percent).

2. Cash Flow Model

a. Cash Flow Model Assuming New Loans Are Insured

The cash flow exhibits (See Exhibit 6, Pages 1, 2, and 3 on pages 82, 83, and 84, respectively) present our estimates of the change in the HFCLIF (fund balance), given known and expected claims. The cash flow models assume that Cal-Mortgage will insure, starting on July 1, 1998, $50 million in new loans for the first five years and $60 million per year thereafter. Additionally, the following three scenarios regarding the Triad recoveries were tested:

1. No recovery is made;
2. $30 million is recovered on July 1, 1999;
3. $30 million is recovered on July 1, 1999, and $20 million is recovered on July 1, 2001.

b. Cash Flow Model Assuming No New Loans Are Insured

In order to calculate the required reserves on a basis consistent with the California DOI standard for required reserves, E&Y also projected a cash flow analysis assuming Cal-Mortgage does not insure any new loan amounts after June 30, 1998, as shown in Exhibit 6, page 4 on page 85. The California Division of Insurance Standard provides a review of the adequacy of an insurers' reserves at a particular point in time (i.e., a "snap shot" of the reserves). The standard does not

consider future operations of the insurer such as new business. We used the assumption that $30 million would be recovered from Triad on July 1, 1999 in this calculation.

c. Explanation of the Cash Flow Model

The cash flow exhibits (Exhibit 6, Pages 1, 2, 3, and 4) consist of three segments as follows:

- Cash outflow (Columns (2) through (4))
- Cash income (Columns (11) and (12))
- Fund balance (Column (15))

"Cash outflow" is defined as the sum of expected paid losses on future defaulted projects (i.e., projects which are not in default as of June 30, 1998, but that will subsequently default), expected paid losses on currently defaulted projects (i.e., projects known to have defaulted as of June 30, 1998), and administrative expenses. A project is considered in default if it has made a claim against the HFCLIF.

The expected paid losses on future defaulted projects are equal to the expected default rate multiplied by the original loan amount on these projects. It is assumed that losses (net of recoveries and salvage) are paid in full in the year the default occurs. Consideration is also given to the possibility that some loans will be terminated earlier than expected and no longer pay insurance premiums to Cal-Mortgage.

The expected paid losses on currently defaulted projects include all future known payments (net of recoveries and salvage) on the loans that have already defaulted. These future expected payments were provided by Cal-Mortgage.

"Cash income" is defined as the sum of earned premium and investment income. Investment income is equal to the product of Cal-Mortgage's average investment yield in 1998 (5.699 percent) and the sum of the fund balance as of June 30 of the prior year plus one half the earned premium minus one half of the paid losses for the current year.

d. Results

Our cash flow model estimates the HFCLIF balance for the next 30 years, or until 2028.

	Scenario	Exhibit	Positive Fund Balance Until
1.	New loans are insured, no recovery from Triad is made.	Exhibit 6, Page 1	2016
2.	New loans are insured, a $30 million recovery is made on July 1, 1999 from Triad.	Exhibit 6, Page 2	2023
3.	New loans are insured, a $30 million recovery is made on July 1, 1999, and a $20 million recovery is made on July 1, 2001 from Triad.	Exhibit 6, Page 3	2028 and thereafter
4.	No new loans are insured, a $30 million recovery is made on July 1, 1999 from Triad.	Exhibit 6, Page 4	2018

Based on our cash flow analysis as shown in Exhibit 6, Pages 1, 2, 3, and 4, E&Y projected a positive balance in the HFCLIF for a period varying between 18 to over 30 years, or from at least the year 2016 until after the year 2028, depending on the Triad recovery assumption. The 1997 Mercer Study projected a positive balance in the HFCLIF over the next 15 years, or until at least the year 2011. However, Mercer's projection only extended out 15 years. Therefore, based on our analysis and "normal and expected" conditions, E&Y is projecting that the balance in the HFCLIF will remain positive until a later date than was projected in the 1997 Mercer Study. As such, on a cash flow basis, E&Y observes that as of June 30, 1998, assuming that $30 million is recovered on July 1, 1999, and $20 million is recovered on July 1, 2001, the HFCLIF appears sufficient to meet all "expected and normal" expense of Cal-Mortgage's operations.

The cash flow analysis which assumes that Cal-Mortgage insures no new or refinanced loans is on a basis more comparable to the California Division of Insurance standard than is the assumption that Cal-Mortgage will insure new loans. This is because the California Division of Insurance Standard is a "snap shot" in time which does not consider future operations of an insurer, such as new or refinanced loans. However, this cash flow analysis still differs from the California Division of Insurance standard because our cash flow model does not include a contingency reserve (i.e., it does not consider the possibility of another extraordinary event similar to the Triad default). Our sensitivity analysis, as described in the next section, considers the possibility of an extraordinary event.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ANALYSIS OF CASH FLOW

ASSUMES NEW LOANS INSURED AFTER JUNE 30, 1998 OF $50 MILLION PER YEAR FOR THE FIRST FIVE YEARS AND $60 MILLION PER YEAR THEREAFTER
ASSUMES NO RECOVERY FROM TRIAD
('000s)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
YEAR ENDING JUNE 30,	ORIGINAL LOAN BALANCE	EXPECTED PAID LOSSES ON FUTURE DEFAULTED PROJECTS	EXPECTED PAID LOSSES ON CURRENTLY DEFAULTED PROJECTS	ADMIN. EXPENSE	CASH OUTFLOW (2)+(3)+(4)	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN BEFORE JUNE 30, 1998	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN AFTER JUNE 30, 1998	OUTSTANDING BALANCE FOR TERMINATED LOANS AS OF JUNE 30,	OUTSTANDING BALANCE FOR NEWLY DEFAULTED LOANS AS OF JUNE 30,	TOTAL OUTSTANDING BALANCE AS OF JUNE 30, (6)+(7)-(8)-(9)	EARNED PREMIUM	INVESTMENT INCOME	CASH INCOME (11)+(12)	CHANGE IN FUND BALANCE (13)-(5)	FUND BALANCE
1998	1,729,983					1,577,579	0			1,577,579					130,410
1999	1,662,605	1,266	3,781	4,163	9,210	1,534,575	49,688	198,775	7,549	1,377,939	7,389	7,380	14,769	5,559	135,969
2000	1,520,772	1,301	12,002	4,288	17,591	1,488,899	98,726	309,983	16,039	1,261,602	6,599	7,436	14,035	-3,556	132,413
2001	1,428,961	1,200	11,979	4,417	17,596	1,440,630	147,073	407,239	24,312	1,156,152	6,044	7,217	13,261	-4,335	128,078
2002	1,345,578	984	11,985	4,549	17,519	1,390,000	194,688	491,413	31,325	1,061,950	5,545	6,958	12,503	-5,015	123,063
2003	1,271,172	765	11,989	4,686	17,439	1,336,494	241,528	563,212	36,765	978,045	5,100	6,662	11,762	-5,677	117,385
2004	1,258,881	627	11,989	4,826	17,443	1,281,076	297,483	545,517	40,903	992,140	4,925	6,333	11,259	-6,184	111,201
2005	1,295,617	546	11,986	4,971	17,503	1,225,203	352,437	527,488	44,015	1,006,137	4,996	5,981	10,977	-6,527	104,675
2006	1,349,243	500	11,985	5,120	17,605	1,166,584	406,330	508,186	46,366	1,018,361	5,061	5,608	10,669	-6,936	97,739
2007	1,409,213	444	12,001	5,274	17,719	1,104,178	459,096	487,149	47,849	1,028,276	5,117	5,211	10,328	-7,391	90,347
2008	1,464,357	393	12,391	5,432	18,216	1,039,076	510,670	464,776	48,557	1,036,413	5,162	4,777	9,939	-8,277	82,070
2009	1,529,032	376	12,395	5,595	18,366	969,881	560,980	440,448	48,734	1,041,679	5,195	4,302	9,497	-8,869	73,201
2010	1,590,633	368	12,398	5,763	18,529	897,567	609,949	414,515	48,488	1,044,513	5,215	3,792	9,008	-9,521	63,680
2011	1,647,501	362	10,629	5,936	16,927	822,661	657,497	387,148	47,837	1,045,173	5,224	3,296	8,520	-8,407	55,273
2012	1,711,284	368	10,625	6,114	17,107	744,584	703,539	358,055	46,841	1,043,227	5,221	2,811	8,032	-9,074	46,199
2013	1,761,359	378	10,624	6,297	17,299	665,395	747,985	328,062	45,604	1,039,714	5,207	2,288	7,496	-9,804	36,395
2014	1,791,771	387	10,626	6,486	17,500	587,963	790,738	298,375	44,244	1,036,083	5,189	1,723	6,913	-10,587	25,808
2015	1,816,944	397	10,626	6,681	17,703	512,107	831,698	268,905	42,742	1,032,158	5,171	1,114	6,284	-11,419	14,389
2016	1,859,622	406	7,295	6,881	14,582	436,667	870,757	239,125	41,026	1,027,273	5,149	551	5,700	-8,882	5,507
2017	1,936,351	416	10,626	7,088	18,130	358,172	907,800	207,460	38,878	1,019,634	5,117	-57	5,060	-13,070	-7,563
2018	1,958,911	426	10,626	7,300	18,353	282,202	942,706	176,347	36,601	1,011,961	5,079	-809	4,270	-14,083	-21,646
2019	1,992,561	437	10,226	7,519	18,182	208,288	975,349	145,560	34,158	1,003,919	5,040	-1,608	3,432	-14,751	-36,396
2020	2,050,265	449	10,224	7,745	18,418	134,547	1,005,590	114,216	31,415	994,507	4,996	-2,457	2,539	-15,879	-52,275
2021	1,971,106	461	10,720	7,977	19,159	73,842	1,033,288	88,226	29,219	989,684	4,960	-3,384	1,577	-17,582	-69,857
2022	1,874,425	472	10,717	8,217	19,405	26,902	1,058,288	68,039	27,669	989,482	4,948	-4,393	555	-18,851	-88,708
2023	1,588,309	478	10,724	8,463	19,665	8,089	1,080,429	60,562	27,871	1,000,085	4,974	-5,474	-500	-20,165	-108,873
2024	1,444,390	480	-36	8,717	9,161	4,435	1,099,540	59,889	28,982	1,015,105	5,038	-6,322	-1,284	-10,446	-119,319
2025	1,465,531	481	-36	8,979	9,423	3,025	1,115,439	59,915	30,047	1,028,502	5,109	-6,923	-1,814	-11,237	-130,556
2026	1,514,974	481	-36	9,248	9,693	2,009	1,127,933	59,709	30,910	1,039,323	5,170	-7,569	-2,400	-12,092	-142,648
2027	1,570,914	481	-36	9,525	9,970	937	1,136,817	58,993	31,510	1,047,251	5,216	-8,265	-3,049	-13,019	-155,667
2028	1,625,942	481	-36	9,811	10,256	0	1,141,875	57,797	31,841	1,052,238	5,249	-9,014	-3,765	-14,022	-169,688

Notes:
- Column (1) is adjusted to exclude loans terminated or defaulted.
- Column (2) is the product of the curve fitted default rate and Column (1).
- Column (3) is as per Cal-Mortgage and is fixed.
- Column (4) has a fixed value for 1999, increasing by 3% for each subsequent year.
- Column (9) is the product of the termination rate and the value of the prior year in column (10).
- Column (11) is the average of Column (10) for the current and prior year, multiplied by 0.005.
- Column (12) is the product of the investment yield and the sum of Column (10) of the prior year plus 50% of Column (11) minus 50% of Column (5).
- Column (15) is the sum of Column (15) for the prior year and Column (14).

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ANALYSIS OF CASH FLOW

ASSUMES NEW LOANS INSURED AFTER JUNE 30, 1998 OF $50 MILLION PER YEAR FOR THE FIRST FIVE YEARS AND $60 MILLION PER YEAR THEREAFTER
ASSUMES A $30 MILLION RECOVERY FROM TRIAD ON JULY 1, 1999
('000s)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
YEAR ENDING JUNE 30,	ORIGINAL LOAN BALANCE	EXPECTED PAID LOSSES ON FUTURE DEFAULTED PROJECTS	EXPECTED PAID LOSSES ON CURRENTLY DEFAULTED PROJECTS	ADMIN. EXPENSE	CASH OUTFLOW (2)+(3)+(4)	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN BEFORE JUNE 30, 1998	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN AFTER JUNE 30, 1998	OUTSTANDING BALANCE FOR TERMINATED LOANS AS OF JUNE 30,	OUTSTANDING BALANCE FOR NEWLY DEFAULTED LOANS AS OF JUNE 30,	TOTAL OUTSTANDING BALANCE AS OF JUNE 30, (6)+(7)-(8)-(9)	EARNED PREMIUM	INVESTMENT INCOME	CASH INCOME (11)+(12)	CHANGE IN FUND BALANCE (13)-(5)	FUND BALANCE
1998	1,729,983					1,577,579	0			1,577,579					130,410
1999	1,662,605	1,266	3,781	4,163	9,210	1,534,575	49,688	198,775	7,549	1,377,939	7,389	7,380	14,769	5,559	135,969
2000	1,520,772	1,301	-17,998	4,288	-12,409	1,488,899	98,726	309,983	16,039	1,261,602	6,599	8,291	14,889	27,299	163,268
2001	1,428,961	1,200	11,979	4,417	17,596	1,440,630	147,073	407,239	24,312	1,156,152	6,044	8,975	15,020	-2,576	160,691
2002	1,345,578	984	11,985	4,549	17,519	1,390,000	194,688	491,413	31,325	1,061,950	5,545	8,817	14,362	-3,157	157,535
2003	1,271,172	765	11,989	4,686	17,439	1,336,494	241,528	563,212	36,765	978,045	5,100	8,626	13,726	-3,713	153,822
2004	1,258,881	627	11,989	4,826	17,443	1,281,076	297,483	545,517	40,903	992,140	4,925	8,410	13,335	-4,107	149,714
2005	1,295,617	546	11,986	4,971	17,503	1,225,203	352,437	527,488	44,015	1,006,137	4,996	8,176	13,172	-4,332	145,382
2006	1,349,243	500	11,985	5,120	17,605	1,166,584	406,330	508,186	46,366	1,018,361	5,061	7,928	12,989	-4,616	140,766
2007	1,409,213	444	12,001	5,274	17,719	1,104,178	459,096	487,149	47,849	1,028,276	5,117	7,663	12,780	-4,939	135,827
2008	1,464,357	393	12,391	5,432	18,216	1,039,076	510,670	464,776	48,557	1,036,413	5,162	7,369	12,531	-5,685	130,142
2009	1,529,032	376	12,395	5,595	18,366	969,881	560,980	440,448	48,734	1,041,679	5,195	7,041	12,237	-6,129	124,013
2010	1,590,633	368	12,398	5,763	18,529	897,567	609,949	414,515	48,488	1,044,513	5,215	6,688	11,904	-6,625	117,387
2011	1,647,501	362	10,629	5,936	16,927	822,661	657,497	387,148	47,837	1,045,173	5,224	6,356	11,581	-5,346	112,041
2012	1,711,284	368	10,625	6,114	17,107	744,584	703,539	358,055	46,841	1,043,227	5,221	6,047	11,268	-5,839	106,202
2013	1,761,359	378	10,624	6,297	17,299	665,395	747,985	328,062	45,604	1,039,714	5,207	5,708	10,915	-6,384	99,818
2014	1,791,771	387	10,626	6,486	17,500	587,963	790,738	298,375	44,244	1,036,083	5,189	5,338	10,527	-6,973	92,845
2015	1,816,944	397	10,626	6,681	17,703	512,107	831,698	268,905	42,742	1,032,158	5,171	4,934	10,105	-7,598	85,247
2016	1,859,622	406	7,295	6,881	14,582	436,667	870,757	239,125	41,026	1,027,273	5,149	4,589	9,738	-4,844	80,403
2017	1,936,351	416	10,626	7,088	18,130	358,172	907,800	207,460	38,878	1,019,634	5,117	4,211	9,329	-8,801	71,601
2018	1,958,911	426	10,626	7,300	18,353	282,202	942,706	176,347	36,601	1,011,961	5,079	3,702	8,781	-9,571	62,030
2019	1,992,561	437	10,226	7,519	18,182	208,288	975,349	145,560	34,158	1,003,919	5,040	3,161	8,200	-9,982	52,048
2020	2,050,265	449	10,224	7,745	18,418	134,547	1,005,590	114,216	31,415	994,507	4,996	2,584	7,580	-10,839	41,209
2021	1,971,106	461	10,720	7,977	19,159	73,842	1,033,288	88,226	29,219	989,684	4,960	1,944	6,904	-12,254	28,955
2022	1,874,425	472	10,717	8,217	19,405	26,902	1,058,288	68,039	27,669	989,482	4,948	1,238	6,186	-13,219	15,736
2023	1,588,309	478	10,724	8,463	19,665	8,089	1,080,429	60,562	27,871	1,000,085	4,974	478	5,452	-14,213	1,523
2024	1,444,390	480	-36	8,717	9,161	4,435	1,099,540	59,889	28,982	1,015,105	5,038	-31	5,007	-4,154	-2,631
2025	1,465,531	481	-36	8,979	9,423	3,025	1,115,439	59,915	30,047	1,028,502	5,109	-273	4,836	-4,587	-7,218
2026	1,514,974	481	-36	9,248	9,693	2,009	1,127,933	59,709	30,910	1,039,323	5,170	-540	4,629	-5,063	-12,281
2027	1,570,914	481	-36	9,525	9,970	937	1,136,817	58,993	31,510	1,047,251	5,216	-835	4,381	-5,589	-17,870
2028	1,625,942	481	-36	9,811	10,256	0	1,141,875	57,797	31,841	1,052,238	5,249	-1,161	4,088	-6,169	-24,039

Notes:
- Column (1) is adjusted to exclude loans terminated or defaulted.
- Column (2) is the product of the curve fitted default rate and Column (1).
- Column (3) is as per Cal-Mortgage and is fixed.
- Column (4) has a fixed value for 1999, increasing by 3% for each subsequent year.
- Column (9) is the product of the termination rate and the value of the prior year in column (10).
- Column (11) is the average of Column (10) for the current and prior year, multiplied by 0.005.
- Column (12) is the product of the investment yield and the sum of Column (10) of the prior year plus 50% of Column (11) minus 50% of Column (5).
- Column (15) is the sum of Column (15) for the prior year and Column (14).

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ANALYSIS OF CASH FLOW

ASSUMES NEW LOANS INSURED AFTER JUNE 30, 1998 OF $50 MILLION PER YEAR FOR THE FIRST FIVE YEARS AND $60 MILLION PER YEAR THEREAFTER
ASSUMES A $30 MILLION RECOVERY ON JULY 1, 1999 AND A $20 MILLION RECOVERY ON JULY 1, 2001 FROM TRIAD
('000s)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
YEAR ENDING JUNE 30,	ORIGINAL LOAN BALANCE	EXPECTED PAID LOSSES ON FUTURE DEFAULTED PROJECTS	EXPECTED PAID LOSSES ON CURRENTLY DEFAULTED PROJECTS	ADMIN. EXPENSE	CASH OUTFLOW (2)+(3)+(4)	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN BEFORE JUNE 30, 1998	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN AFTER JUNE 30, 1998	OUTSTANDING BALANCE FOR TERMINATED LOANS AS OF JUNE 30,	OUTSTANDING BALANCE FOR NEWLY DEFAULTED LOANS AS OF JUNE 30,	TOTAL OUTSTANDING BALANCE AS OF JUNE 30, (6)+(7)-(8)-(9)	EARNED PREMIUM	INVESTMENT INCOME	CASH INCOME (11)+(12)	CHANGE IN FUND BALANCE (13)-(5)	FUND BALANCE
1998	1,729,983					1,577,579	0			1,577,579					130,410
1999	1,662,605	1,266	3,781	4,163	9,210	1,534,575	49,688	198,775	7,549	1,377,939	7,389	7,380	14,769	5,559	135,969
2000	1,520,772	1,301	-17,998	4,288	-12,409	1,488,899	98,726	309,983	16,039	1,261,602	6,599	8,291	14,889	27,299	163,268
2001	1,428,961	1,200	11,979	4,417	17,596	1,440,630	147,073	407,239	24,312	1,156,152	6,044	8,975	15,020	-2,576	160,691
2002	1,345,578	984	-8,015	4,549	-2,481	1,390,000	194,688	491,413	31,325	1,061,950	5,545	9,387	14,932	17,413	178,105
2003	1,271,172	765	11,989	4,686	17,439	1,336,494	241,528	563,212	36,765	978,045	5,100	9,799	14,899	-2,541	175,564
2004	1,258,881	627	11,989	4,826	17,443	1,281,076	297,483	545,517	40,903	992,140	4,925	9,649	14,574	-2,868	172,696
2005	1,295,617	546	11,986	4,971	17,503	1,225,203	352,437	527,488	44,015	1,006,137	4,996	9,486	14,481	-3,022	169,673
2006	1,349,243	500	11,985	5,120	17,605	1,166,584	406,330	508,186	46,366	1,018,361	5,061	9,312	14,373	-3,232	166,442
2007	1,409,213	444	12,001	5,274	17,719	1,104,178	459,096	487,149	47,849	1,028,276	5,117	9,126	14,243	-3,476	162,966
2008	1,464,357	393	12,391	5,432	18,216	1,039,076	510,670	464,776	48,557	1,036,413	5,162	8,915	14,077	-4,139	158,827
2009	1,529,032	376	12,395	5,595	18,366	969,881	560,980	440,448	48,734	1,041,679	5,195	8,676	13,871	-4,495	154,333
2010	1,590,633	368	12,398	5,763	18,529	897,567	609,949	414,515	48,488	1,044,513	5,215	8,416	13,632	-4,897	149,435
2011	1,647,501	362	10,629	5,936	16,927	822,661	657,497	387,148	47,837	1,045,173	5,224	8,183	13,407	-3,520	145,915
2012	1,711,284	368	10,625	6,114	17,107	744,584	703,539	358,055	46,841	1,043,227	5,221	7,977	13,198	-3,909	142,007
2013	1,761,359	378	10,624	6,297	17,299	665,395	747,985	328,062	45,604	1,039,714	5,207	7,748	12,956	-4,344	137,663
2014	1,791,771	387	10,626	6,486	17,500	587,963	790,738	298,375	44,244	1,036,083	5,189	7,495	12,684	-4,816	132,847
2015	1,816,944	397	10,626	6,681	17,703	512,107	831,698	268,905	42,742	1,032,158	5,171	7,214	12,384	-5,319	127,529
2016	1,859,622	406	7,295	6,881	14,582	436,667	870,757	239,125	41,026	1,027,273	5,149	6,999	12,148	-2,435	125,094
2017	1,936,351	416	10,626	7,088	18,130	358,172	907,800	207,460	38,878	1,019,634	5,117	6,758	11,876	-6,254	118,840
2018	1,958,911	426	10,626	7,300	18,353	282,202	942,706	176,347	36,601	1,011,961	5,079	6,394	11,473	-6,879	111,961
2019	1,992,561	437	10,226	7,519	18,182	208,288	975,349	145,560	34,158	1,003,919	5,040	6,006	11,046	-7,137	104,824
2020	2,050,265	449	10,224	7,745	18,418	134,547	1,005,590	114,216	31,415	994,507	4,996	5,591	10,588	-7,831	96,993
2021	1,971,106	461	10,720	7,977	19,159	73,842	1,033,288	88,226	29,219	989,684	4,960	5,123	10,084	-9,075	87,918
2022	1,874,425	472	10,717	8,217	19,405	26,902	1,058,288	68,039	27,669	989,482	4,948	4,598	9,546	-9,859	78,059
2023	1,588,309	478	10,724	8,463	19,665	8,089	1,080,429	60,562	27,871	1,000,085	4,974	4,030	9,004	-10,661	67,398
2024	1,444,390	480	-36	8,717	9,161	4,435	1,099,540	59,889	28,982	1,015,105	5,038	3,724	8,761	-400	66,998
2025	1,465,531	481	-36	8,979	9,423	3,025	1,115,439	59,915	30,047	1,028,502	5,109	3,695	8,804	-619	66,379
2026	1,514,974	481	-36	9,248	9,693	2,009	1,127,933	59,709	30,910	1,039,323	5,170	3,654	8,824	-869	65,510
2027	1,570,914	481	-36	9,525	9,970	937	1,136,817	58,993	31,510	1,047,251	5,216	3,598	8,814	-1,156	64,355
2028	1,625,942	481	-36	9,811	10,256	0	1,141,875	57,797	31,841	1,052,238	5,249	3,525	8,774	-1,483	62,872

Notes:
- Column (1) is adjusted to exclude loans terminated or defaulted.
- Column (2) is the product of the curve fitted default rate and Column (1).
- Column (3) is as per Cal-Mortgage and is fixed.
- Column (4) has a fixed value for 1999, increasing by 3% for each subsequent year.
- Column (9) is the product of the termination rate and the value of the prior year in column (10).
- Column (11) is the average of Column (10) for the current and prior year, multiplied by 0.005.
- Column (12) is the product of the investment yield and the sum of Column (10) of the prior year plus 50% of Column (11) minus 50% of Column (5).
- Column (15) is the sum of Column (15) for the prior year and Column (14).

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ANALYSIS OF CASH FLOW

ASSUMES NO NEW LOANS INSURED AFTER JUNE 30,1998
ASSUMES A $30 MILLION RECOVERY FROM TRIAD ON JULY 1, 1999
('000s)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
YEAR ENDING JUNE 30,	ORIGINAL LOAN BALANCE	EXPECTED PAID LOSSES ON FUTURE DEFAULTED PROJECTS	EXPECTED PAID LOSSES ON CURRENTLY DEFAULTED PROJECTS	ADMIN. EXPENSE	CASH OUTFLOW (2)+(3)+(4)	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN BEFORE JUNE 30, 1998	OUTSTANDING BALANCE AS OF JUNE 30, FOR LOANS WRITTEN AFTER JUNE 30, 1998	OUTSTANDING BALANCE FOR TERMINATED LOANS AS OF JUNE 30,	OUTSTANDING BALANCE FOR NEWLY DEFAULTED LOANS AS OF JUNE 30,	TOTAL OUTSTANDING BALANCE AS OF JUNE 30, (6)+(7)-(8)-(9)	EARNED PREMIUM	INVESTMENT INCOME	CASH INCOME (11)+(12)	CHANGE IN FUND BALANCE (13)-(5)	FUND BALANCE
1998	1,729,983					1,577,579	0			1,577,579					130,410
1999	1,614,073	1,262	3,781	4,163	9,206	1,534,575	0	198,775	7,537	1,328,264	7,265	7,377	14,641	5,435	135,845
2000	1,425,866	1,260	-17,998	4,288	-12,450	1,488,899	0	305,761	15,824	1,167,315	6,239	8,274	14,513	26,963	162,808
2001	1,290,443	1,099	11,979	4,417	17,495	1,440,630	0	395,070	23,512	1,022,048	5,473	8,936	14,409	-3,086	159,722
2002	1,166,337	829	-8,015	4,549	-2,637	1,390,000	0	468,060	29,519	892,421	4,786	9,314	14,100	16,737	176,459
2003	1,053,608	574	11,989	4,686	17,248	1,336,494	0	525,898	33,610	776,986	4,174	9,684	13,857	-3,391	173,068
2004	987,254	408	11,989	4,826	17,224	1,281,076	0	507,977	36,150	736,949	3,785	9,480	13,265	-3,959	169,110
2005	959,962	295	11,986	4,971	17,252	1,225,203	0	489,506	37,446	698,251	3,588	9,248	12,836	-4,416	164,694
2006	947,653	217	11,985	5,120	17,323	1,166,584	0	469,577	37,788	659,218	3,394	8,989	12,383	-4,940	159,754
2007	939,952	136	12,001	5,274	17,411	1,104,178	0	447,754	37,114	619,310	3,196	8,699	11,896	-5,515	154,239
2008	926,937	69	12,391	5,432	17,892	1,039,076	0	424,451	35,616	579,009	2,996	8,366	11,361	-6,531	147,708
2009	920,444	39	12,395	5,595	18,029	969,881	0	399,081	33,634	537,166	2,790	7,984	10,774	-7,255	140,452
2010	909,441	20	12,398	5,763	18,180	897,567	0	372,011	31,324	494,232	2,578	7,560	10,138	-8,042	132,410
2011	892,670	4	10,629	5,936	16,569	822,661	0	343,436	28,748	450,477	2,362	7,141	9,503	-7,066	125,344
2012	879,027	0	10,625	6,114	16,739	744,584	0	313,094	26,019	405,471	2,140	6,727	8,867	-7,872	117,473
2013	852,550	0	10,624	6,297	16,921	665,395	0	281,823	23,252	360,320	1,914	6,267	8,182	-8,740	108,733
2014	810,139	0	10,626	6,486	17,113	587,963	0	250,829	20,546	316,588	1,692	5,757	7,450	-9,663	99,070
2015	763,475	0	10,626	6,681	17,306	512,107	0	220,051	17,896	274,161	1,477	5,195	6,672	-10,635	88,435
2016	728,259	0	7,295	6,881	14,176	436,667	0	189,005	15,259	232,402	1,266	4,672	5,938	-8,238	80,197
2017	713,551	0	10,626	7,088	17,714	358,172	0	156,192	12,516	189,464	1,055	4,096	5,150	-12,564	67,634
2018	660,299	0	10,626	7,300	17,926	282,202	0	124,010	9,862	148,330	844	3,368	4,212	-13,714	53,919
2019	613,562	0	10,226	7,519	17,745	208,288	0	92,271	7,279	108,738	643	2,586	3,228	-14,517	39,403
2020	579,833	0	10,224	7,745	17,969	134,547	0	60,148	4,702	69,698	446	1,746	2,192	-15,777	23,626
2021	465,973	0	10,720	7,977	18,697	73,842	0	33,359	2,580	37,903	269	821	1,090	-17,607	6,019
2022	350,983	0	10,717	8,217	18,934	26,902	0	12,343	940	13,619	129	-193	-64	-18,998	-12,978
2023	143,885	0	10,724	8,463	19,187	8,089	0	3,779	283	4,027	44	-1,285	-1,241	-20,428	-33,406
2024	30,505	0	-36	8,717	8,681	4,435	0	2,092	155	2,188	16	-2,151	-2,135	-10,816	-44,223
2025	11,694	0	-36	8,979	8,943	3,025	0	1,438	106	1,481	9	-2,775	-2,766	-11,708	-55,931
2026	8,434	0	-36	9,248	9,212	2,009	0	962	70	976	6	-3,450	-3,444	-12,656	-68,586
2027	8,367	0	-36	9,525	9,489	937	0	454	33	451	4	-4,179	-4,175	-13,665	-82,251
2028	7,429	0	-36	9,811	9,775	0	0	0	0	0	1	-4,966	-4,965	-14,740	-96,991

Notes:
- Column (1) is adjusted to exclude loans terminated or defaulted.
- Column (2) is the product of the curve fitted default rate and Column (1).
- Column (3) is as per Cal-Mortgage and is fixed.
- Column (4) has a fixed value for 1999, increasing by 3% for each subsequent year.
- Column (9) is the product of the termination rate and the value of the prior year in column (10).
- Column (11) is the average of Column (10) for the current and prior year, multiplied by 0.005.
- Column (12) is the product of the investment yield and the sum of Column (10) of the prior year plus 50% of Column (11) minus 50% of Column (5).
- Column (15) is the sum of Column (15) for the prior year and Column (14).

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF CAL-MORTGAGE'S
LOSS COST
($000's)

		Gross	Net
A.	HOSPITALS SELECTED LOSS COST	0.00947	0.00131
B.	CAL-MORTGAGE'S HOSPITALS ORIGINAL LOAN AMOUNT	1,068,215	1,068,215
C.	NURSING HOMES SELECTED LOSS COST	0.11167	0.02066
D.	CAL-MORTGAGE'S NURSING HOMES ORIGINAL LOAN AMOUNT	661,768	661,768
E.	COMBINED CAL-MORTGAGE'S HOSPITALS AND NURSHING HOMES LOSS COST [{(A) X (B) + (C) X (D)} / {(B) + (D)}]	0.04856	0.00871

Notes:

- Hospitals include the following types of facilities: ADC, ADHC, BB, CDRF, CLINIC, CMHC, DD, DD/MD, HOSPITAL, ICF, SNF.
- Nursing Homes include the following types of facilities: GH, HOSPICE, and MULTI.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF HOSPITALS LOSS COST
($000's)

ISSUE YEAR	(1) ESTIMATED ULTIMATE LOSS	(2) ORIGINAL LOAN AMOUNT	(3) LOSS COST (1)/(2)
1981	97,488	4,798,600	0.02032
1982	61,716	8,648,200	0.00714
1983	28,235	9,172,400	0.00308
1984	25,340	8,782,400	0.00289
1985	257,967	29,575,400	0.00872
1986	135,627	8,743,700	0.01551
1987	125,875	11,660,200	0.01080
1988	66,760	11,052,100	0.00604
1989	113,286	13,727,400	0.00825
1990	146,144	12,392,000	0.01179
1991	238,062	16,506,900	0.01442
1992	280,522	20,178,900	0.01390
1993	189,314	28,981,300	0.00653
1994	106,150	13,618,500	0.00779
1995	109,210	11,496,100	0.00950
TOTAL	1,981,695	209,334,100	

AVERAGES OF LOSS COSTS

	Average of all years:	0.00978
	Weighted average of all years:	0.00947
	Weighted average excluding extremes:	0.00958
	Weighted average of issue years 1990-1994:	0.01047
A.	Selected hospital loss cost:	0.00947
B.	Factor to adjust loss cost from gross to net:	0.138
C.	Selected net hospital loss cost [(A) x (B)]	0.00131

Notes:

- Column (1) is based on BIA data.
- Column (2) is based on Securities Data Company.

CAL-MORTGAGE LOSAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF THE NURSING HOMES LOSS COST
($000's)

ISSUE YEAR	(1) ESTIMATED ULTIMATE LOSS	(2) ORIGINAL LOAN AMOUNT	(3) LOSS COST (1)/(2)
1981	134,877	379,015	0.35586
1982	319,520	785,815	0.40661
1983	343,670	631,960	0.54382
1984	162,252	630,220	0.25745
1985	285,271	1,090,830	0.26152
1986	138,612	728,315	0.19032
1987	144,046	887,220	0.16236
1988	131,237	1,451,700	0.09040
1989	108,882	1,585,300	0.06868
1990	176,655	1,619,000	0.10911
1991	29,013	1,507,300	0.01925
1992	60,026	2,390,700	0.02511
1993	69,980	2,473,500	0.02829
1994	77,730	2,343,700	0.03317
1995	101,728	1,943,800	0.05233
TOTAL	2,283,499	20,448,375	

AVERAGES OF LOSS COSTS

	Average of all years:	0.17362
	Weighted average of all years:	0.11167
	Weighted average excluding extremes:	0.10859
	Weighted average of issue years 1990-1994:	0.04000
A.	Selected nursing home loss cost:	0.11167
B.	Factor to adjust loss cost from gross to net:	0.185
C.	Selected net nursing home loss cost [(A) x (B)]	0.02066

Notes:

- Column (1) is based on BIA data.
- Column (2) is based on Securities Data Company.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

SELECTION OF ULTIMATE LOSS

($000's)

	(1)	(2)	(3)	(4)	(5)	(6)
	HOSPITALS		NURSING HOMES		SELECTED	
ISSUE YEAR	LOSS DEVELOPMENT METHOD	BORNHUETTER-FERGUSON METHOD	LOSS DEVELOPMENT METHOD	BORNHUETTER-FERGUSON METHOD	HOSPITALS ULTIMATE LOSS	NURSING HOMES ULTIMATE LOSS
1981	97,488	94,041	134,877	125,206	97,488	134,877
1982	61,716	65,664	319,520	292,348	61,716	319,520
1983	28,235	37,132	343,670	309,200	28,235	343,670
1984	25,340	35,411	162,252	145,705	25,340	162,252
1985	257,967	271,232	285,271	252,181	257,967	285,271
1986	135,627	130,222	138,612	121,997	135,627	138,612
1987	125,875	128,064	144,046	125,971	125,875	144,046
1988	66,760	80,102	131,237	119,963	66,760	131,237
1989	113,286	126,818	108,882	102,128	113,286	108,882
1990	146,144	146,170	176,655	147,269	146,144	176,655
1991	238,062	221,297	29,013	48,923	238,062	29,013
1992	311,489	280,522	10,727	60,026	280,522	60,026
1993	33,851	189,314	6,862	69,980	189,314	69,980
1994	16,520	106,150	-	77,730	106,150	77,730
1995	26,350	109,210	95,543	101,728	109,210	101,728
TOTAL	1,684,709	2,021,350	2,087,168	2,100,354	1,981,695	2,283,499

Notes:

- The selected ultimates for issue year s1991 and prior equal the results from the application of the loss development method.
- The selected ultimates for issue years 1992 through 1995 equal the results from the application of the Bornhuetter-Ferguson method.

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF ULTIMATE LOSS
(000's)

HOSPITALS - LOSS DEVELOPMENT METHOD

ISSUE YEAR	(1) GROSS LOSS AS OF 12/31/97	(2) AGE TO ULTIMATE FACTORS	(3) ESTIMATED ULTIMATE LOSS (1) x (2)	(4) INDICATED LOSS COST (3)/(5)
1981	89,265	1.092	97,488	0.0203
1982	55,675	1.109	61,716	0.0071
1983	25,095	1.125	28,235	0.0031
1984	22,080	1.148	25,340	0.0029
1985	220,375	1.171	257,967	0.0087
1986	113,037	1.200	135,627	0.0155
1987	102,350	1.230	125,875	0.0108
1988	52,767	1.265	66,760	0.0060
1989	81,805	1.385	113,286	0.0083
1990	98,575	1.483	146,144	0.0118
1991	145,850	1.632	238,062	0.0144
1992	180,034	1.730	311,489	0.0154
1993	16,772	2.018	33,851	0.0012
1994	6,250	2.643	16,520	0.0012
1995	6,375	4.133	26,350	0.0023
TOTAL	1,216,305		1,684,709	0.0080

HOSPITALS - BORNHUETTER-FERGUSON METHOD

ISSUE YEAR	(5) EXPOSURE BASE	(6) EXPECTED ULTIMATE LOSS	(7) INCURRED BUT NOT REPORTED LOSS (6)x[1-1/(2)]	(8) ESTIMATED ULTIMATE LOSS (7)+(1)	(9) INDICATED LOSS COST (8)/(5)
1981	4,798,600	56,623	4,776	94,041	0.020
1982	8,648,200	102,049	9,989	65,664	0.008
1983	9,172,400	108,234	12,037	37,132	0.004
1984	8,782,400	103,632	13,331	35,411	0.004
1985	29,575,400	348,990	50,857	271,232	0.009
1986	8,743,700	103,176	17,185	130,222	0.015
1987	11,660,200	137,590	25,714	128,064	0.011
1988	11,052,100	130,415	27,335	80,102	0.007
1989	13,727,400	161,983	45,013	126,818	0.009
1990	12,392,000	146,226	47,595	146,170	0.012
1991	16,506,900	194,781	75,447	221,297	0.013
1992	20,178,900	238,111	100,488	280,522	0.014
1993	28,981,300	341,979	172,542	189,314	0.007
1994	13,618,500	160,698	99,900	106,150	0.008
1995	11,496,100	135,654	102,835	109,210	0.009
TOTAL	209,334,100	2,470,142	805,045	2,021,350	0.010

Notes:
-The age to ultimate factors in column (2) are based on the industry countrywide combined hospital and nursing home loss data, provided by BIA.
-The exposure base in column (5) is the original loan amount issued for nursing homes ($000's), and is provided by Securities Data Company.
-The expected ultimate loss in column (6) equals the selected loss cost of 0.01180 (the weighted average loss cost for issue years 1988 through 1992), multiplied by the exposure base.
-Columns (4) and (9) are gross, before collateral and recoveries.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF ULTIMATE LOSS
($000's)

NURSING HOMES - LOSS DEVELOPMENT METHOD

ISSUE YEAR	(1) GROSS LOSS AS OF 12/31/97	(2) AGE TO ULTIMATE FACTORS	(3) ESTIMATED ULTIMATE LOSS (1) x (2)	(4) INDICATED LOSS COST (3)/(5)
1981	123,500	1.092	134,877	0.3559
1982	288,245	1.109	319,520	0.4066
1983	305,450	1.125	343,670	0.5438
1984	141,380	1.148	162,252	0.2575
1985	243,700	1.171	285,271	0.2615
1986	115,525	1.200	138,612	0.1903
1987	117,125	1.230	144,046	0.1624
1988	103,730	1.265	131,237	0.0904
1989	78,625	1.385	108,882	0.0687
1990	119,155	1.483	176,655	0.1091
1991	17,775	1.632	29,013	0.0192
1992	6,200	1.730	10,727	0.0045
1993	3,400	2.018	6,862	0.0028
1994	-	2.643	-	0.0000
1995	23,115	4.133	95,543	0.0492
TOTAL	1,686,925		2,087,168	0.1021

NURSING HOMES - LOSS DEVELOPMENT METHOD

ISSUE YEAR	(5) EXPOSURE BASE	(6) EXPECTED ULTIMATE LOSS	(7) INCURRED BUT NOT REPORTED LOSS (6)x[1-1/(2)]	(8) ESTIMATED ULTIMATE LOSS (7)+(1)	(9) INDICATED LOSS COST (8)/(5)
1981	379,015	20,220	1,706	125,206	0.330
1982	785,815	41,923	4,103	292,348	0.372
1983	631,960	33,715	3,750	309,200	0.489
1984	630,220	33,622	4,325	145,705	0.231
1985	1,090,830	58,196	8,481	252,181	0.231
1986	728,315	38,856	6,472	121,997	0.168
1987	887,220	47,333	8,846	125,971	0.142
1988	1,451,700	77,448	16,233	119,963	0.083
1989	1,585,300	84,576	23,503	102,128	0.064
1990	1,619,000	86,374	28,114	147,269	0.091
1991	1,507,300	80,414	31,148	48,923	0.032
1992	2,390,700	127,544	53,826	60,026	0.025
1993	2,473,500	131,961	66,580	69,980	0.028
1994	2,343,700	125,036	77,730	77,730	0.033
1995	1,943,800	103,702	78,613	101,728	0.052
TOTAL	20,448,375	1,090,921	413,429	2,100,354	0.103

Notes:
-The age to ultimate factors in column (2) are based on the industry countrywide combined hospital and nursing home loss data, provided by BIA.
-The exposure base in column (5) is the original loan amount issued for nursing homes ($000's), and is provided by Securities Data Company.
-The expected ultimate loss in column (6) equals the selected loss cost of 0.05335 (the weighted average loss cost for issue years 1988 through 1992), multiplied by the exposure base.
-Columns (4) and (9) are gross, before collateral and recoveries.

CAL MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF THE RATIO OF NET LOSS TO GROSS LOSS

(1)	(2)	(3)	(4)	(5)	(6)
HEALTH FACILITY	HOSPITAL OR NURSING HOME	ORIGINAL LOAN BALANCE	APPRAISED VALUE AS OF 12/31/92	MAXIMUM COLLECTIBLE VALUE	RATIO OF NET LOSS TO GROSS LOSS [1.00 -(5)/(3)]
HOSPITALS AND OTHERS					
Petaluma Hospital Building Corporation - PVH	Hospital	8,900,000	7,500,000	7,500,000	
Petaluma Hospital District - PVH	Hospital	4,250,000	7,500,000	4,250,000	
Foothill Presbyterian Hospital	Hospital	10,705,000	23,500,000	10,705,000	
Madera Community Hospital	Hospital	10,200,000	22,000,000	10,200,000	
Fallbrook Hospital	Hospital	5,000,000	5,000,000	5,000,000	
Children's Institute International	Hospital	5,635,000	4,470,000	4,470,000	
Alta Med Health Services	Hospital	5,520,000	3,000,000	3,000,000	
Walden House, Inc.	Hospital	8,800,000	3,340,000	3,340,000	
Pacific Clinics	Hospital	5,455,000	2,850,000	2,850,000	
Gardner Health Center	Hospital	1,670,000	1,100,000	1,100,000	
Humbolt Open Door Clinic	Hospital	1,250,000	900,000	900,000	
Redlands community Hospital	Hospital	41,617,148	68,000,000	41,617,148	
Lytton Gardens /Conv. Hospital	Hospital	13,360,000	7,600,000	7,600,000	
Santa Barbara Medical Foundation	Hospital	15,000,000	7,100,000	7,100,000	
Southcoast Medical Center	Hospital	15,000,000	35,500,000	15,000,000	
Valleycare Hospital	Hospital	47,975,000	66,000,000	47,975,000	
Central Coast Neurobeh Center	Hospital	410,000	573,000	410,000	
Hazel Hawkins Memorial Hospital	Hospital	8,500,000	12,030,000	8,500,000	
Apple Valley Christian Center	Hospital	8,500,000	5,500,000	5,500,000	
Sanctuary Hosus of Santa Barbara	Hospital	798,333	760,000	760,000	
Henry Ohloff House	Hospital	988,333	750,000	750,000	
Home of Guiding Hands	Hospital	2,805,000	2,040,000	2,040,000	
West Modesto Clinic	Hospital	439,167	480,000	439,167	
Peg Taylor Center	Hospital	509,167	560,000	509,167	
General Hospital of Eureka	Hospital	6,600,000	15,400,000	6,600,000	
Subtotal - Hospitals		**229,887,148**	**303,453,000**	**198,115,482**	**13.8%**
NURSING HOMES AND MULTILEVELS					
Canyon Villas Retirement Community	Nursing Home	8,360,000	5,650,000	5,650,000	
Casa de Modesto	Nursing Home	6,200,000	7,100,000	6,200,000	
Baywood Court	Nursing Home	23,675,000	16,700,000	16,700,000	
Casa de las Campanas	Nursing Home	40,070,000	32,000,000	32,000,000	
Channing House	Nursing Home	9,800,000	13,400,000	9,800,000	
Redwoods, The	Nursing Home	6,200,000	16,000,000	6,200,000	
Redwood Terrace	Nursing Home	15,200,000	12,100,000	12,100,000	
Gateway Recovery Home	Nursing Home	835,000	336,000	336,000	
Peninula Children's Center	Nursing Home	384,167	810,000	384,167	
Vista Del Monte (F.A.C.T.)	Nursing Home	4,500,000	8,750,000	4,500,000	
Subtotal - Nursing Homes		**115,224,167**	**112,846,000**	**93,870,167**	**18.5%**
TOTAL		**345,111,315**		**291,985,649**	**15.4%**

Notes:
- Column (5) is the lesser of columns (3) and (4).
- Column (4), the Appraised Value, is from the Connolly Report.
- Hospitals include the following Types of Facilities: ADC, ADHC, BB, CDRF, CLINIC, CMHC, DD, DD/MD, HOSPITAL, ICF, SNF.
- Nursing Homes include the following Types of /Facilities: GH, HOSPICE, and MULTILEVELS.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

INDUSTRY COUNTRYWIDE HOSPITALS AND NURSING HOMES LOSS EXPERIENCE
AS OF 12/31/97
($000'S)

GROSS LOSS
MONTHS OF DEVELOPMENT

ISSUE YEAR	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
1973	-	-	-	-	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200
1974	-	-	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	12,490	12,490	12,490	12,490	12,490	12,490
1975	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,500	15,950	15,950	15,950	15,950
1976	-	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	5,000	12,200	15,300	15,300	15,300	15,300	15,300	17,890
1977	-	-	-	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	12,100	15,070	15,070	15,070	15,070	15,070
1978	-	-	-	8,000	8,000	8,000	8,000	37,500	37,500	37,500	37,500	37,500	37,500	40,500	40,500	40,500	40,500	40,500	40,500	40,500
1979	-	-	2,450	4,950	4,950	20,250	20,250	20,250	20,250	42,045	67,290	67,290	67,290	67,290	70,940	70,940	70,940	70,940	70,940	
1980	-	-	13,575	15,575	29,575	33,575	35,845	49,290	67,240	67,240	72,240	78,030	78,030	78,030	78,030	78,030	78,030	78,030		
1981	-	-	-	50,020	69,870	76,570	123,925	147,190	211,440	212,765	212,765	212,765	212,765	212,765	212,765	212,765	212,765			
1982	-	-	123,510	169,410	248,780	288,715	293,715	325,955	330,855	334,045	343,920	343,920	343,920	343,920	343,920	343,920				
1983	-	25,490	63,395	183,190	237,470	280,340	280,340	300,875	308,350	317,495	323,045	323,045	323,745	323,745	330,545					
1984	-	-	59,130	108,840	127,435	127,435	131,435	137,445	137,445	149,575	163,460	163,460	163,460	163,460						
1985	-	17,165	104,780	228,480	362,355	378,340	412,085	436,085	440,965	464,075	464,075	464,075	464,075							
1986	-	2,400	56,535	89,800	95,140	99,940	99,940	105,640	109,890	228,562	228,562	228,562								
1987	-	22,270	36,770	48,120	69,615	127,120	138,620	181,935	219,475	219,475	219,475									
1988	6,815	19,365	66,806	102,230	115,330	156,497	156,497	156,497	156,497	156,497										
1989	-	-	79,615	95,575	98,470	98,470	116,530	160,430	160,430											
1990	-	29,805	50,605	142,590	153,670	203,385	217,730	217,730												
1991	-	-	-	21,360	118,125	163,625	163,625													
1992	-	167,354	183,734	183,734	183,734	186,234														
1993	2,200	2,200	5,600	5,600	20,172															
1994	6,250	6,250	6,250	6,250																
1995	3,405	7,905	29,490																	
1996	-	-																		
1997	-																			

ISSUE YEAR	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240
1973					1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1974			1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.115	1.000	1.000	1.000	1.000	1.000
1975																1.276	1.000	1.000	1.000
1976		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	2.000	2.440	1.254	1.000	1.000	1.000	1.000	1.169
1977				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.375	1.245	1.000	1.000	1.000	1.000
1978				1.000	1.000	1.000	4.688	1.000	1.000	1.000	1.000	1.000	1.080	1.000	1.000	1.000	1.000	1.000	1.000
1979			2.020	1.000	4.091	1.000	1.000	1.000	2.076	1.600	1.000	1.000	1.000	1.054	1.000	1.000	1.000	1.000	
1980			1.147	1.899	1.135	1.068	1.375	1.364	1.000	1.074	1.080	1.000	1.000	1.000	1.000	1.000	1.000		
1981				1.397	1.096	1.618	1.188	1.437	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
1982			1.372	1.469	1.161	1.017	1.110	1.015	1.010	1.030	1.000	1.000	1.000	1.000	1.000				
1983		2.487	2.890	1.296	1.181	1.000	1.073	1.025	1.030	1.017	1.000	1.002	1.000	1.021					
1984			1.841	1.171	1.000	1.031	1.046	1.000	1.088	1.093	1.000	1.000	1.000						
1985		6.104	2.181	1.586	1.044	1.089	1.058	1.011	1.052	1.000	1.000	1.000							
1986		23.556	1.588	1.059	1.050	1.000	1.057	1.040	2.080	1.000	1.000								
1987		1.651	1.309	1.447	1.826	1.090	1.312	1.206	1.000	1.000									
1988	2.842	3.450	1.530	1.128	1.357	1.000	1.000	1.000	1.000										
1989			1.200	1.030	1.000	1.183	1.377	1.000											
1990		1.698	2.818	1.078	1.324	1.071	1.000												
1991				5.530	1.385	1.000													
1992		1.098	1.000	1.000	1.014														
1993	1.000	2.545	1.000	3.602															
1994	1.000	1.000	1.000																
1995	2.322	3.731																	
1996																			

All Years Wtd	2.960	1.715	1.341	1.166	1.065	1.116	1.067	1.091	1.028	1.003	1.002	1.008	1.016	1.019	1.007	1.000	1.000	1.022	
10 Year Wtd	2.001	1.564	1.310	1.167	1.045	1.101	1.071	1.095	1.029	1.003	1.002	1.008	1.017	1.019	1.007	1.000	1.000	1.022	
5 Year Wtd	1.225	1.460	1.279	1.207	1.059	1.127	1.045	1.145	1.014	1.000	1.000	1.000	1.010	1.000	1.000	1.000	1.000	1.026	
Selected																			
Age to Age	2.001	1.564	1.310	1.167	1.060	1.101	1.071	1.095	1.029	1.025	1.025	1.020	1.020	1.015	1.015	1.010	1.010	1.010	
Age to Ult	8.272	4.133	2.643	2.018	1.730	1.632	1.483	1.385	1.265	1.230	1.200	1.171	1.148	1.125	1.109	1.092	1.081	1.071	1.060
Prior Selected																			
Age to Age	2.214	1.592	1.299	1.182	1.074	1.119	1.075	1.095	1.031	1.025	1.025	1.020	1.020	1.015	1.015	1.010	1.010	1.010	
Age to Ult	9.704	4.384	2.754	2.120	1.794	1.670	1.493	1.389	1.268	1.230	1.200	1.171	1.148	1.125	1.109	1.092	1.081	1.071	1.060

-Losses include hospitals and nursing homes industry countrywide experience provided by BIA.

SECTION VII: ANALYSIS OF RISK TO THE STATE GENERAL FUND

In order to determine the sensitivity of the sufficiency of the HFCLIF to potentially adverse conditions and the resulting potential risk to the State General Fund, E&Y applied a stochastic simulation model in which the parameters underlying our previously described cash flow analysis were allowed to vary. The following is a list of the parameters E&Y varied in our simulation model:

- The default rate varies by issue year between 50 percent and 300 percent of the expected default rate. The distribution used to model this variation is a Truncated Lognormal with mean 1, and standard deviation of 0.5. The minimum and maximum is set at 0.5 and 3.0, respectively.

- The new loans insured by Cal-Mortgage can vary between 75 percent and 125 percent of their value set in the static model. A uniform distribution is used to model this variation.

- The interest rate earned on investment income in each fiscal year from 1998 and forward is between two percentage points greater and two percentage points less than the interest rate earned on investment income in the immediately preceding fiscal year, subject to a maximum of 9 percent and a minimum of 4 percent.

- The termination rates vary between 50 percent and 150 percent of the values set in the static model.

- The timing of individual default probabilities are assumed to vary between 25 percent and 125 percent of their expected values, with a minimum of 0.

- The scenarios tested regarding Triad recoveries are the following:
    1. No recovery is made;

2. $30 million is recovered on July 1, 1999;
3. $30 million is recovered on July 1, 1999, and $20 million is recovered on July 1, 2001.

In addition to the assumptions listed above, our simulation model allows for the possibility of the occurrences of extraordinary events in any year. An "extraordinary event" is defined as either a catastrophe that would cause a major devastation to the projects' properties themselves (e.g., earthquake, fire, riot, act of terrorism, act of war), an economic or legislative change that adversely impacts the financial viability of some segment of the health care industry or a large unexpected default. E&Y simulated large unexpected defaults separately from all other types of extraordinary events.

The expected size of a large unexpected default is assumed to be the average of the original loan amounts of Cal-Mortgage's eight largest active projects as of June 30, 1998, which is approximately $49.1 million. The simulated size of this large default is assumed to vary between $44.2 million and $54.0 million (i.e., 90 percent to 110 percent of the expected large default).

If an extraordinary event, other than a large unexpected default occurs, E&Y assumed that the default rates would triple, administrative expenses would increase by 5 percent (rather than 3 percent) per year, termination rates would increase by 25 percent from the expected, and the interest rate earned on investment income would vary between 2 percent and 7 percent.

The risk to the State General Fund was then determined by varying the probability that an extraordinary event would occur in any year. Based on these probabilities, E&Y then estimated the HFCLIF balance for the next thirty years. The balance was estimated under four separate scenarios. The purpose of the scenarios is to provide a range of results. This range is not meant to encompass all possible scenarios. The four scenarios E&Y ran differed by the assumed probability of an extraordinary event are as follows:

- 0 percent Scenario: Assumes no probability of an extraordinary event.

- 1 percent Scenario: Assumes 1 percent yearly probability of an extraordinary event other than a large unexpected default and 1 percent yearly probability of a large unexpected default.
- 5 percent Scenario: Assumes 5 percent yearly probability of an extraordinary event other than a large unexpected default and 5 percent yearly probability of a large unexpected default.
- 10 percent Scenario: Assumes 10 percent yearly probability of an extraordinary event other than a large unexpected default and 10 percent yearly probability of a large unexpected default. In other words, in 10 years there is a 100 percent chance of this occurring.

The results of these four scenarios are displayed for each Triad recovery assumption on Exhibit 7, Pages 1, 2, and 3, on pages 97, 98, and 99, which display the mean of the expected fund balance of the HFCLIF at the end of each of the next thirty fiscal years.

E&Y also simulated each of these four scenarios assuming that Cal-Mortgage does not insure any new loan amounts after fiscal year 1998 and that there is a $30 million recovery on July 1, 1999. The mean of the results of these four scenarios are displayed on Exhibit 7, Page 4, on page 100.

As can be seen on Exhibit 7, E&Y projects that the HFCLIF will maintain a positive fund balance in the medium term under all of our scenarios. However, within the next fifteen years, the HFCLIF may or may not become negative, depending on the likelihood of an extraordinary event and on whether or not Cal-Mortgage continues to insure new loans. Of the sixteen scenarios, in only four scenarios does the HFCLIF become negative within the next fifteen years. They are the following:

- Exhibit 7, Page 1 on page 98, under the 5 percent Scenario, E&Y projects that the HFCLIF will become negative in fiscal year 2013.

- Exhibit 7, Page 1 on page 98, under the 10 percent Scenario, E&Y projects that the HFCLIF will become negative in fiscal year 2009.

- Exhibit 7, Page 2 on page 99, under the 10 percent Scenario, E&Y projects that the HFCLIF will become negative in fiscal year 2012.

- Exhibit 7, Page 4 on page 101, under the 10 percent Scenario, E&Y projects that the HFCLIF will become negative in fiscal year 2011.

While the likelihood of an extraordinary event and a large unexpected default occurring simultaneously with a 10 percent probability is highly unlikely, as Exhibit 7 shows, even if the 10 percent Scenario were to occur, Cal-Mortgage would have funds for at least the next 10 years.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF PROJECTED HFCLIF BALANCE
ASSUMING NEW LOANS INSURED AFTER AFTER JUNE 30, 1998
ASSUMING NO TRIAD RECOVERY
($000s)

YEAR ENDING JUNE 30,	0% Scenario	1% Scenario	5% Scenario	10% Scenario
1999	$135,755	$135,745	$133,484	$128,549
2000	132,222	131,091	124,909	118,914
2001	127,923	126,582	118,762	107,877
2002	123,107	121,590	111,895	97,138
2003	117,875	116,022	103,186	85,428
2004	112,279	108,601	94,181	72,030
2005	106,291	100,746	83,524	60,310
2006	99,960	93,394	74,209	46,607
2007	93,225	85,630	63,397	34,208
2008	85,699	76,983	52,424	15,301
2009	77,474	67,006	40,032	-4,267
2010	68,644	56,759	26,735	-25,233
2011	60,886	46,073	13,175	-45,440
2012	52,488	36,181	644	-66,266
2013	43,286	26,059	-15,346	-86,469
2014	33,231	14,618	-33,773	-108,584
2015	22,323	2,698	-50,383	-134,228
2016	14,038	-7,798	-64,347	-161,592
2017	1,621	-22,158	-85,282	-190,884
2018	-11,825	-37,222	-107,557	-221,114
2019	-26,036	-53,053	-132,676	-254,669
2020	-41,446	-70,794	-155,250	-288,885
2021	-58,697	-90,958	-181,463	-328,718
2022	-77,475	-112,379	-211,612	-369,422
2023	-97,813	-135,419	-239,496	-415,027
2024	-108,419	-149,000	-261,663	-450,469
2025	-119,931	-163,087	-284,727	-484,559
2026	-132,707	-178,603	-307,795	-523,201
2027	-146,514	-195,557	-336,910	-566,327
2028	-161,366	-213,272	-368,388	-612,181

0% Scenario: Assumes no probability of an extraordinary event

1% Scenario: Assumes 1% yearly probability of an extraordinary event other than a large unexpected default and 1% yearly probability of a large unexpected default

5% Scenario: Assumes 5% yearly probability of an extraordinary event other than a large unexpected default and 5% yearly probability of a large unexpected default

10% Scenario: Assumes 10% yearly probability of an extraordinary event other than a large unexpected default and 10% yearly probability of a large unexpected default

An extraordinary event is defined as a catastrophe that would cause a major devastation to the projects' properties, an economic or legislative change that adversely affects the health care industry, or a large unexpected default.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF PROJECTED HFCLIF BALANCE
ASSUMING NEW LOANS INSURED AFTER AFTER JUNE 30, 1998
ASSUMING A $30 MILLION RECOVERY FROM TRIAD ON JULY 1, 1999
($000s)

YEAR ENDING JUNE 30,	0% Scenario	1% Scenario	5% Scenario	10% Scenario
1999	$135,803	$135,438	$132,560	$126,315
2000	162,812	161,211	157,057	148,127
2001	159,838	158,842	153,166	140,656
2002	156,687	155,560	148,372	134,083
2003	153,113	151,824	141,383	122,177
2004	149,266	146,940	134,653	110,820
2005	145,632	143,010	127,123	98,072
2006	141,813	139,192	119,738	84,171
2007	137,729	135,116	109,873	72,172
2008	132,866	128,964	100,680	58,358
2009	127,501	122,386	91,301	44,891
2010	121,877	116,351	81,812	27,632
2011	117,762	111,185	71,530	13,017
2012	113,380	106,115	61,033	-1,855
2013	108,506	100,499	49,258	-17,837
2014	103,095	93,633	37,686	-37,173
2015	97,155	86,500	27,120	-57,770
2016	93,981	80,874	16,614	-73,405
2017	86,844	72,305	1,256	-97,347
2018	78,999	63,561	-14,878	-123,229
2019	70,801	54,028	-30,876	-148,509
2020	61,805	44,169	-50,513	-180,897
2021	51,381	32,708	-72,458	-211,776
2022	39,908	19,648	-93,522	-245,171
2023	27,447	5,549	-116,201	-279,701
2024	25,107	1,872	-129,753	-305,514
2025	22,456	-2,971	-144,302	-334,527
2026	19,349	-7,800	-160,460	-365,304
2027	15,780	-14,082	-176,715	-398,351
2028	11,726	-20,849	-194,520	-437,061

0% Scenario: Assumes no probability of an extraordinary event

1% Scenario: Assumes 1% yearly probability of an extraordinary event other than a large unexpected default and 1% yearly probability of a large unexpected default

5% Scenario: Assumes 5% yearly probability of an extraordinary event other than a large unexpected default and 5% yearly probability of a large unexpected default

10% Scenario: Assumes 10% yearly probability of an extraordinary event other than a large unexpected default and 10% yearly probability of a large unexpected default

An extraordinary event is defined as a catastrophe that would cause a major devastation to the projects' properties, an economic or legislative change that adversely affects the health care industry, or a large unexpected default.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF PROJECTED HFCLIF BALANCE
ASSUMING NEW LOANS INSURED AFTER AFTER JUNE 30, 1998
ASSUMING A $30 MILLION RECOVERY ON JULY 1, 1999 AND
A $20 MILLION RECOVERY FROM TRIAD ON JULY 1, 2001
($000s)

YEAR ENDING JUNE 30,	0% Scenario	1% Scenario	5% Scenario	10% Scenario
1999	$135,773	$134,763	$130,765	$131,879
2000	163,467	160,396	156,802	156,922
2001	161,664	157,879	152,925	150,052
2002	180,116	175,819	165,900	165,593
2003	178,673	173,844	161,594	157,441
2004	177,204	172,148	155,804	147,530
2005	175,716	170,223	147,397	140,622
2006	173,629	167,757	140,813	130,917
2007	171,071	165,659	133,994	119,729
2008	167,949	163,573	125,378	111,596
2009	164,629	161,168	116,488	100,049
2010	161,313	157,142	105,853	86,366
2011	159,504	154,688	97,285	72,612
2012	157,511	150,601	85,891	60,853
2013	155,334	148,345	77,742	44,868
2014	153,042	145,145	65,792	28,728
2015	150,390	141,559	54,837	15,216
2016	150,712	139,871	45,572	2,082
2017	147,537	134,199	29,988	-17,383
2018	144,010	127,545	14,011	-38,455
2019	140,442	121,816	-647	-59,539
2020	136,069	115,263	-16,792	-82,295
2021	130,586	107,581	-32,593	-105,073
2022	124,292	98,960	-52,660	-132,286
2023	117,603	90,236	-74,521	-159,518
2024	121,289	92,074	-87,038	-179,992
2025	125,265	93,575	-99,721	-198,973
2026	129,319	94,651	-115,992	-223,066
2027	133,639	94,468	-131,490	-249,946
2028	138,257	92,905	-147,238	-277,064

0% Scenario: Assumes no probability of an extraordinary event

1% Scenario: Assumes 1% yearly probability of an extraordinary event other than a large unexpected default and 1% yearly probability of a large unexpected default

5% Scenario: Assumes 5% yearly probability of an extraordinary event other than a large unexpected default and 5% yearly probability of a large unexpected default

10% Scenario: Assumes 10% yearly probability of an extraordinary event other than a large unexpected default and 10% yearly probability of a large unexpected default

An extraordinary event is defined as a catastrophe that would cause a major devastation to the projects' properties, an economic or legislative change that adversely affects the health care industry, or a large unexpected default.

CAL-MORTGAGE LOAN INSURANCE DIVISION

CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM

ESTIMATE OF PROJECTED HFCLIF BALANCE
ASSUMING NO NEW LOANS INSURED AFTER AFTER JUNE 30, 1998
ASSUMING A $30 MILLION RECOVERY FROM TRIAD ON JULY 1, 1999
($000s)

YEAR ENDING JUNE 30,	0% Scenario	1% Scenario	5% Scenario	10% Scenario
1999	$135,680	$135,277	$132,246	$125,899
2000	162,352	160,684	156,270	147,098
2001	158,870	157,771	151,767	138,949
2002	155,050	153,790	146,104	131,456
2003	150,631	149,199	138,069	118,403
2004	145,694	143,201	130,130	105,717
2005	140,654	137,842	121,086	91,368
2006	135,109	132,286	111,864	75,559
2007	128,960	126,123	99,840	61,284
2008	121,678	117,497	88,108	44,805
2009	113,521	108,037	75,797	28,267
2010	104,677	98,698	62,947	7,479
2011	96,880	89,770	48,911	-11,112
2012	88,330	80,443	34,205	-30,413
2013	78,802	70,064	17,742	-51,368
2014	68,220	57,950	948	-76,192
2015	56,552	45,036	-15,422	-102,759
2016	47,124	33,134	-32,205	-125,010
2017	33,166	17,661	-54,405	-156,138
2018	17,894	1,265	-77,905	-189,818
2019	1,630	-16,648	-101,915	-223,688
2020	-16,172	-35,689	-130,296	-265,306
2021	-36,159	-56,916	-161,825	-306,232
2022	-57,867	-80,474	-193,138	-350,437
2023	-81,264	-105,811	-226,781	-396,566
2024	-95,436	-121,602	-252,181	-434,981
2025	-110,841	-139,509	-279,293	-477,387
2026	-127,422	-158,260	-309,104	-522,490
2027	-145,506	-179,366	-339,845	-570,717
2028	-165,182	-201,824	-373,240	-625,636

0% Scenario: Assumes no probability of an extraordinary event

1% Scenario: Assumes 1% yearly probability of an extraordinary event other than a large unexpected default and 1% yearly probability of a large unexpected default

5% Scenario: Assumes 5% yearly probability of an extraordinary event other than a large unexpected default and 5% yearly probability of a large unexpected default

10% Scenario: Assumes 10% yearly probability of an extraordinary event other than a large unexpected default and 10% yearly probability of a large unexpected default

An extraordinary event is defined as a catastrophe that would cause a major devastation to the projects' properties, an economic or legislative change that adversely affects the health care industry, or a large unexpected default.

SECTION VIII: COMPARISON TO PRIOR ACTUARIAL STUDIES

A. Introduction

There were three studies of the reserve adequacy of the HFCLIF performed in the past:

- The 1997 Mercer Study dated August 1997 with an as of date of June 30, 1996;
- The 1995 Mercer Study dated May 1995 with an as of date of July 31, 1994;
- The 1993 ADL Study dated January 1993 with an as of date of September 30, 1992.

The 1997 and 1995 Mercer Studies used a cash flow analysis to determine the sufficiency of the HFCLIF. Both studies determined that under a worst case scenario, there is a risk to the State General Fund. The 1995 Mercer Study determined that the HFCLIF would be sufficient to pay for "normal and expected" expenses, including the Triad default, until at least fiscal year 2009. The 1997 Mercer Study determined that the HFCLIF appears sufficient to meet all "expected and normal" expenses of Cal-Mortgage's operations, including the Triad loss, for at least the next 15 years, or until at least the year 2011.

B. Comparison to the 1997 Mercer Study

Our current Study (1998 E&Y Study) projected a positive balance in the HFCLIF for a period varying between 18 to over 30 years, or from at least the year 2016 until after the year 2028, depending on the Triad recovery assumption. Mercer projected a positive balance in the HFCLIF over the nest 15 years, or until 2011, which is the maximum period studied in their cash flow model. Therefore, based on our analysis of "normal and expected" conditions, E&Y is projecting that the balance in the HFCLIF will remain positive until a later date than was projected in the 1997 Mercer Study. As such, on a cash flow basis, E&Y observes that as of June 30, 1998, assuming a $30 million Triad recovery on July 1, 1999, and $20 million recovery on July 1, 2001, the HFCLIF appears sufficient to meet all "expected and normal" expense of Cal-Mortgage's operations.

The 1998 E&Y Study cash flow model is similar to the 1997 Mercer Study cash flow model except for the following:

- The E&Y cash flow model extended out 30 years, whereas the 1997 Mercer Study cash flow model extended out only 15 years.

- The E&Y cash flow makes three different assumptions regarding the Triad recovery:

  1. No recovery is made;
  2. $30 million recovery on July 1, 1999;
  3. $30 million recovery on July 1, 1999, and $20 million recovery on July 1, 2001.

  Mercer assumed no recovery from Triad.

- Our calculation of the default rate used a weighted average of all available years, from 1981 until 1985, as the 1997 Mercer Study used only five years, from 1989 until 1993.

- The E&Y stochastic simulation assumed a yearly probability of an extraordinary event, where as the 1997 Mercer Study simulation assumed the probability of an extraordinary event occurring only in the next year. Therefore, our model allowed for more than one extraordinary event during the 30 year period, occurring in any year.

- E&Y assumed that $50 million in new loans would be insured per year, starting on July 1, 1998, for the first five years, and $60 million per year thereafter. The 1997 Mercer Study assumed that $80 million in new loans would be insured per year, for all years.

- The actual amount in the HFCLIF as of June 30, 1998 was $130.4 million on a cash basis. Thus, under California Division of Insurance standards, E&Y observed that there would be an $86.2 million shortfall as of June 30, 1998. The 1997 Mercer Study concluded that as of June 30, 1996, there was a $97.0 million shortfall. The shortfall has therefore decreased since the last study.

Difficulties

Some financial statements provided unique difficulties, including the combination of financials for some borrowers.

Borrower	Difficulties
Alliance for Community Care/ Avenues to Mental Health/ Miramonte Mental Health Services	Both Avenues to Mental Health and Miramonte Mental Health Services were separate entities during 1996. For fiscal year 1997, the entities combined with another entity to become the Alliance for Community Care. Thus, 1996 amounts are disclosed for Miramonte Mental Health Services and Avenues to Mental Health and 1997 amounts are disclosed for the new Alliance for Community Care.
Asian Health Services, Inc.	Property taxes and interest expense were taken from the Statement of Functional Expenses and were used for interest expense and interest paid.
Casa De Las Campanas	Amortization does not include amortization of interest and entrance fees.
Channing House	Depreciation per the Cash Flows was used instead of the amount listed per the Income Statement. It is believed that the Statement of Cash Flow contains the more complete amount.
El Proyecto Del Barrio, Inc.	Earthquake relief of $51,758 was taken out of Revenue of $6,289,979.
Hermandad Mexicana Nacional Legal	Capital leases are in default, thus full amount is considered current.
Home for Jewish Parents	The Note Payable is due upon demand, thus the full amount was classified as current. The loan was also given to the Home interest free and no imputed interest was listed in the financial statements. Thus, no interest expense or paid is listed. The building is currently under construction, thus, no depreciation is recorded.
Janus of Santa Cruz	The Janus Foundation has incurred the long-term debt and has rented the property to Janus of Santa Cruz, thus, Janus of Santa Cruz does no have any debt.
Kazi House	No interest expense or paid could be found in the 1997 financial statements. Interest expense per the attachments to the financial statements were used for interest expense and paid. The current portion of long-term debt was not identified on the financial statements or the notes to the financial statements.
La Palma Hospital Medical Center	No current portion of long-term debt was identified on the financial statements, thus debt repayment amounts per the cash flow were used for 1997 and 1996, respectively.
Lytton Gardens	No current portion of long-term debt could be determined from the financial statements or the notes to the financial statements. The debt was interest only until 12-15-97, Lytton's fiscal year last ended on 3-31-98.

Mexican American Community Services	Capital leases existed in both years, however the amount for 1996 could not be found.
Pacific Homes	Total revenues includes the Change in Obligation to Provide Future Services and Use of Facilities for both 1996 and 1997.
PCC/Zonta	During 1997, Peninsula Children's Center and Zonta merged, thus, the 1996 financial statements for both entities were combined in order to be comparable to 1997.
Redwood Senior Services Corp.	The Company incorporated in March 1997, thus the financial statements for the three months ending March 1997 and the nine months ending December 31, 1997 were combined to obtain the amounts for total revenue and expense.
Center for AIDS Research, Education, and Services	No debt was incurred until April 15, 1998, thus, there is no interest or current portion of long-term debt.
San Gabriel Valley Medical Center	No notes to the financial statements are included, thus it is not possible to determine Capital Lease information and sinking fund information.
Sonoma Valley Health Care	Income on assets whose use is limited, amortization of construction settlement discount, and medical practice development costs are not included in total revenue.
Southern California Alcohol and Drug Programs	The 1996 current portion of Long-term Debt was taken from the cash flow statement.
United Cerebral Palsy Association	Sinking fund amounts were taken from the 1996 financial statements because the 1997 schedule included interest.

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	2	3	4	5	6	7	8	9		10	
Health Facility	Location	Type of Facility	Date Insured	Original Insured Amount	Last Avg Principal Balance	Interest Rate (Highest)	Project Officer	Total Revenues 1997	Total Revenues 1996	Total Expenses 1997	Total Expenses 1996
AVCC-Apple Valley Retirement Care Center	Apple Valley	SNF	03/10/90	8,500,000	7,343,438	7.30%	Gipson	4,415,630	4,368,996	4,509,822	4,518,558
ACC-Averues to Mental Health	San Jose	Hosp	10/08/92	7,500,000	7,125,822	6.55%	McLaney	-	8,418,158	-	8,255,721
ACC-Miramonte Mental Health Services	Palo Alto	Clinic	12/23/92	2,600,000	2,453,425	6.60%	McLaney	-	2,775,412	-	2,757,568
Advent Group Ministries Inc.	San Jose	Other	02/28/91	1,023,333	950,041	6.75%	Morgan	2,013,593	2,153,023	2,052,073	2,083,450
AIDS Healthcare Foundation				**12,155,000**	**11,411,204**			**31,599,345**	**29,644,713**	**31,574,382**	**29,606,263**
AIDS Healthcare Foundation '92	*Los Angeles*	*Other*	*10/22/92*	*5,855,000*	*5,286,247*	*6.25%*	*Graham*	-	-	-	-
AIDS Healthcare Foundation '98	*Los Angeles*	*Other*	*05/27/98*	*3,000,000*	*2,897,450*	*Prime + 1*	*Graham*	-	-	-	-
AIDS Healthcare Foundation-Linn House	*Los Angeles*	*Other*	*11/16/94*	*3,300,000*	*3,227,507*	*7.50%*	*Graham*	-	-	-	-
AIDS Project - Los Angeles	Los Angeles	Clinic	08/26/92	10,000,000	9,373,356	6.25%	Staub	16,849,663	18,861,196	17,895,982	20,450,742
Airport Marina Counseling Service	Westchester	Clinic	09/27/95	735,000	703,877	6.50%	Juarez	494,978	434,236	481,655	505,885
Aldea, Inc.	NAPA	Other	06/27/90	489,167	456,795	6.75%	Gragg	4,700,793	4,147,493	4,279,360	4,095,891
Aldersly, Inc.	San Rafael	Multi	05/29/91	1,996,667	1,836,466	6.75%	Starr	3,441,509	2,929,787	2,678,774	2,613,337
Alliance for Community Care (ACC)	San Jose	Clinic	10/28/92	4,800,000	4,534,452	6.65%	Dong	13,971,361	11,193,570	14,087,428	11,013,289
Alta Med Health Services Corporation	E. Los Angeles	Clinic	01/25/91	5,520,000	5,064,329	7.30%	Dong	22,368,495	19,816,062	25,359,058	19,509,878
Azurat Homes of Los Angeles, Inc.	Los Angeles	Multi	04/29/98	6,460,000	6,460,000	5.59%	Gipson	6,084,747	7,756,631	5,996,518	5,713,877
Asian Community SNF (Asian Comm. Care Center of Sac. Vly)	Sacramento	SNF	10/14/92	3,160,000	2,754,397	6.25%	Dong	4,525,685	4,295,385	4,151,799	3,881,397
Asian Health Services, Inc.	Oakland	Clinic	11/21/95	6,524,823	6,314,726	6.00%	Dong	8,352,218	5,984,211	8,375,892	5,276,088
Atascadero Committee for Education DBA: Escuela del Rio	Atascadero	Other	09/04/91	184,167	157,438	6.75%	Morgan	825,951	652,453	711,646	613,815
Atherton Baptist Homes	Alhambra	Multi	02/05/87	11,470,000	9,258,000	6.50%	Dong	9,597,806	8,942,609	8,768,183	8,192,943
Bay Harbor Hospital	Harbor City	Hosp	04/19/90	13,100,000	11,808,411	7.30%	Dong	63,770,341	63,632,610	60,465,574	59,587,582
Beacon House Association	San Pedro	Other	12/08/93	2,280,000	2,169,833	5.80%	Graham	472,291	496,691	245,316	278,521
Becoming Independent	Santa Rosa	Other	02/29/96	1,665,000	1,592,151	5.85%	Gragg	5,381,905	4,967,608	4,862,218	4,506,929
Behavioral Health Services	Gardena	Other	11/07/96	10,845,000	10,641,822	5.95%	McLaney	10,742,450	10,731,983	10,265,299	10,702,344
Bi-Bett Corporation	Concord	Other	03/28/91	708,333	643,890	6.75%	Gragg	4,736,238	4,405,110	4,655,315	4,258,724
Big Valley Medical Services, Inc.	Bieber	Clinic	03/24/93	900,000	834,055	5.80%	Beckman	986,384	961,469	933,127	879,130
Butte Valley - Tulelake Rural Health Projects, Inc.	Dorris	Clinic	10/28/92	1,000,000	943,890	6.65%	Gragg	1,312,777	1,007,932	1,429,477	1,161,355
California Autism Foundation, Inc.	Richmond	Hosp	11/08/95	4,700,000	4,508,082	6.25%	Juarez	4,665,785	3,978,835	4,438,147	4,051,327
California Lutheran Homes (CLH)	Alhambra	Multi	01/04/94	16,890,000	15,339,288	5.85%	Dong	21,742,233	21,432,072	21,601,810	21,208,768
California Odd Fellows Housing of NAPA, Inc. (The Meadows of Napa)	Napa	Multi	10/06/93	18,995,000	18,640,088	5.50%	Morgan	8,890,042	7,874,930	8,713,191	7,554,923
Canyon Acres Children's Services, Inc.	Anaheim Hills	Other	08/21/91	973,333	907,890	6.75%	Morgan	2,914,785	2,735,647	3,048,285	2,906,609
Casa de las Campanas	San Diego	Multi	06/09/98	45,340,000	45,340,000	5.32%	Graham	22,868,301	22,275,105	20,806,230	21,927,284
Casa Dorinda	Montecito	Multi	07/13/93	19,430,000	17,237,493	5.75%	Gragg	12,134,605	11,459,917	11,914,839	11,120,512
Center for AIDS Research, Education and Services	Sacramento	Clinic	04/30/98	3,330,000	3,330,000	5.33%	Gipson	3,205,568	2,054,884	2,507,802	2,032,725
Central Coast Neurobehavorial Center	Morro Bay	Other	08/18/89	410,000	369,562	7.10%	Starr	1,564,905	1,145,823	1,523,795	1,039,853
Central Valley Indian Health, Inc.	Clovis	Clinic	11/28/90	1,130,000	1,043,521	7.55%	Beckman	803,407	864,827	787,500	642,758
Channing House	Palo Alto	Multi	01/15/91	9,800,000	8,963,497	7.13%	Graham	7,628,942	7,661,157	6,566,970	6,534,945
CHCCC-Nipomo Community	Nipomo	Clinic	07/17/90	770,000	684,342	7.25%	Starr	-	-	-	-
CHCW&SC-Mercy McMahon Terrace	Sacramento	Multi	03/17/93	9,360,000	8,179,658	5.80%	Gragg	3,197,185,000	2,781,744,000	3,161,534,000	2,609,110,000
Children Youth and Family Services (Lompoc Hospital District)	Lompoc	Hosp	04/03/90	7,265,000	6,105,110	6.75%	Juarez	23,697,331	24,048,780	26,130,185	23,679,102
Children's Institute International	Los Angeles	Hosp	02/27/92	5,635,000	5,245,575	6.75%	Gipson	15,332,170	11,394,560	12,096,152	10,957,896
Clare Foundation, Inc.	Santa Monica	Other	06/22/91	1,930,000	1,808,356	7.05%	Gragg	2,570,353	2,429,452	2,526,748	2,458,515
CLH-Carlsbad by the Sea	Carlsbad	SNF	11/20/96	37,255,000	37,255,000	5.85%	Dong	-	-	-	-
Clinicas de Salud del Valle de Salinas	Salinas	Clinic	07/02/92	1,450,000	1,354,932	6.90%	Juarez	5,511,776	4,889,224	5,455,035	4,657,877
Clinicas de Salud/Pueblo	Brawley	Clinic	07/02/92	1,720,000	1,604,918	6.90%	Graham	9,100,945	9,189,001	9,179,084	9,144,374
Clinicas del Camino Real				**3,350,000**	**3,072,109**			**9,230,919**	**7,567,195**	**8,809,345**	**8,168,281**
Clinicas del Camino Real '90	*Oxnard*	*Clinic*	*03/13/90*	*2,800,000*	*2,543,356*	*7.55%*	*McLaney*	-	-	-	-
Clinicas del Camino Real '93	*Oxnard*	*Clinic*	*11/15/93*	*550,000*	*528,753*	*7.50%*	*McLaney*	-	-	-	-
Community Church Retirement Center DBA: The Redwoods	Mill Valley	Multi	03/11/97	6,115,000	6,018,904	5.84%	Dong	6,048,586	5,931,096	6,590,308	5,849,327
Community Health Centers of the Central Coast (CHCCC)		Other		-	-			847,378	801,508	6,881,147	6,202,597
Community Medical Centers, Inc.	Stockton	Clinic	10/12/94	3,050,000	3,026,082	7.50%	Beckman	9,103,483	7,593,351	8,958,652	7,826,147
Corcoran District Hospital	Corcoran	Hosp	07/23/92	1,555,000	1,301,219	6.55%	Staub	-	9,784,834	-	11,130,984
DCHC-Urgent Care	Madera	Clinic	07/07/88	590,000	514,014	7.88%	Juarez	4,305,984	4,117,750	4,186,675	3,972,592
Del Norte Clinics, Inc. (DNC)				**2,435,000**	**2,266,219**			**10,614,573**	**10,862,973**	**10,296,177**	**10,797,233**
DNC-Lindhurst Family Health Center	*Olivehurst*	*Clinic*	*05/28/93*	*1,260,000*	*1,201,877*	*7.50%*	*Gragg*	-	-	-	-
DNC-Orland Family Health Center	*Orland*	*Clinic*	*03/13/90*	*1,175,000*	*1,064,342*	*7.55%*	*Gragg*	-	-	-	-
Desarrollo Familiar	Richmond	Clinic	12/23/86	150,000	129,699	7.00%	Dong	755,117	673,268	749,902	666,244

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	2	3	4	5	6	7	8	9		10	
Health Facility	Location	Type of Facility	Date Insured	Original Insured Amount	Last Avg Principal Balance	Interest Rate (Highest)	Project Officer	Total Revenues 1997	1996	Total Expenses 1997	1996
Drug Abuse Alternatives Center	Santa Rosa	Other	11/18/93	1,825,000	1,748,603	5.60%	Gragg	2,853,779	2,567,537	2,784,352	2,548,682
East Bay Agency for Children	Oakland	Clinic	05/26/78	172,000	65,781	9.50%	Dong	2,682,740	2,281,322	2,510,692	2,161,547
Easter Seal Society	San Rafael	Hosp	06/30/93	3,725,000	3,435,384	6.00%	McLaney	3,371,038	3,470,022	3,240,945	3,690,685
Eastfield Ming Quong	Campbell	Hosp	03/11/97	7,025,000	6,873,192	5.80%	Dong	13,983,527	10,134,232	11,404,943	10,552,790
Eden Hospital Health Services Corporation (Baywood Court)	Castro Valley	Multi	07/29/93	23,675,000	21,615,890	5.85%	Gipson	9,354,376	9,403,209	8,790,910	8,844,135
El Proyecto del Barrio, Inc.	Panorama City	Clinic	12/04/90	2,011,667	1,857,151	6.75%	Gipson	-	1,506,173	-	1,227,559
Eskaton and Subsidiaries				**68,890,000**	**61,148,767**			**44,776,000**	**41,800,000**	**44,840,000**	**40,663,000**
Eskaton Properties	*Carmichael*	*Multi*	*07/02/93*	*50,790,000*	*45,128,712*	*5.88%*	*Graham*	-	-	-	-
Eskaton Village	*Carmichael*	*Multi*	*03/31/92*	*17,300,000*	*16,020,055*	*6.87%*	*Graham*	-	-	-	-
Exceptional Children's Foundation	Los Angeles	Other	09/27/95	2,990,000	2,863,466	6.50%	Gipson	9,472,180	9,804,587	8,336,144	8,168,263
FACT Retirement Services				**50,665,000**	**48,274,869**			**13,455,705**	**14,287,220**	**13,634,141**	**14,804,195**
FACT - Villa Gardens	*Pasadena*	*Multi*	*02/05/97*	*9,360,000*	*9,360,000*	*5.90%*	*Graham*	-	-	-	-
FACT - Villa Gardens (Ser. A)	*Pasadena*	*Multi*	*08/19/93*	*20,000,000*	*3,562,603*	*5.63%*	*Graham*	-	-	-	-
FACT - Villa Gardens (Ser. B)	*Pasadena*	*Multi*	*08/19/93*	-	*14,658,370*	*7.48%*	*Graham*	-	-	-	-
FACT - Vista del Monte	*Santa Barbara*	*Multi*	*05/22/90*	*4,500,000*	*3,888,096*	*7.65%*	*Graham*	-	-	-	-
FACT - Vista del Monte	*Santa Barbara*	*Multi*	*01/24/96*	*16,805,000*	*16,805,000*	*5.75%*	*Graham*	-	-	-	-
Fallbrook Hospital	Fallbrook	Hosp	03/06/87	5,000,000	4,197,945	6.75%	Mclaney	-	22,480,719	-	23,233,154
FamilianFirst, Inc.	Davis	Other	11/15/94	9,995,000	947,192	7.50%	Gragg	27,206,884	22,105,185	25,731,035	22,419,707
Family Health Foundation (FHF)		Clinic		-	-			15,781,689	14,413,825	16,100,073	16,810,180
Friends Association of Services for the Elderly (FASE)				**3,140,000**	**2,656,041**			**3,451,851**	**3,516,122**	**3,402,531**	**3,343,802**
FASE-Friends House	*Santa Rosa*	*Multi*	*10/14/92*	*1,140,000*	*734,397*	*6.16%*	*Staub*	-	-	-	-
FASE-Friends House	*Santa Rosa*	*Multi*	*08/12/93*	*2,000,000*	*1,921,644*	*6.00%*	*Staub*	-	-	-	-
Feedback Foundation, Inc.	Anaheim	Other	12/30/92	2,140,000	2,010,313	6.50%	McLaney	1,547,408	1,482,028	1,513,858	1,477,859
Fellowship Homes, Inc. (Casa de Modesto)	Modesto	Multi	08/23/96	6,065,000	5,946,644	6.00%	Gipson	4,160,486	3,824,306	3,884,648	3,683,757
Gardner Family Care Corp.				**6,670,000**	**5,655,347**			**6,087,540**	**5,138,878**	**5,622,929**	**4,586,050**
FHF-Gardner Family Health Network, Inc.	*Alviso*	*Clinic*	*08/30/95*	*5,000,000*	*4,770,466*	*6.75%*	*Graham*	-	-	-	-
Gardner Family Care Corporation (Gardner Health Center)	*San Jose*	*Clinic*	*07/26/89*	*1,670,000*	*884,781*	*6.75%*	*Graham*	-	-	-	-
Gateway Center of Monterey County, Inc.	Pacific Grove	Hosp	05/11/93	835,000	798,356	7.50%	Starr	2,140,182	1,970,298	2,181,068	1,930,354
Gold Country Health, Bixby, Mayflower RHF, Mayflower Gardens				**43,600,000**	**40,161,370**			**27,992,108**	**19,980,440**	**2,263,574**	**1,383,869**
GCH - Bixby Knolls Towers	*Long Beach*	*Multi*	*05/08/92*	*29,680,000*	*27,466,178*	*6.75%*	*Staub*	-	-	-	-
GCH - Mayflower Gardens	*Lancaster*	*Multi*	*05/08/92*	*13,720,000*	*12,695,192*	*6.75%*	*Staub*	-	-	-	-
Giaretto Institute	San Jose	Clinic	10/02/92	1,025,000	987,438	7.50%	Morgan	4,150,586	3,545,546	4,365,343	3,708,818
Guadalupe Homes				**3,345,000**	**3,081,959**			**34,527,444**	**33,238,068**	**33,885,562**	**30,706,276**
Guadalupe Homes '91	*Colton*	*Other*	*12/26/91*	*2,425,000*	*2,217,123*	*6.75%*	*Dong*	-	-	-	-
Guadalupe Homes '94	*Colton*	*Other*	*04/04/94*	*920,000*	*864,836*	*7.50%*	*Dong*	-	-	-	-
Golden Valley Health Center				-	-			**15,785,518**	**15,131,394**	**15,498,589**	**15,303,187**
GVHC-Childs Avenue Clinic	*Merced*	*Clinic*	*01/28/94*	*3,785,000*	*3,615,562*	*5.95%*	*Juarez*	-	-	-	-
GVHC-West Modesto Medical Clinic	*Modesto*	*Clinic*	*10/30/90*	*438,167*	*411,671*	*6.75%*	*Juarez*	-	-	-	-
Hazel Hawkins Memorial Hospital	Hollister	Hosp	01/02/92	8,500,000	7,857,685	6.75%	Gipson	24,504,528	21,918,628	22,619,990	20,876,128
Henrietta Weill Memorial	Bakersfield	Clinic	10/14/92	1,445,000	1,224,110	6.25%	Gipson	6,059,686	2,348,957	4,111,416	2,348,957
Henry Mayo Newhall Memorial Hospital (Santa Clarita Health Care Association & Affiliates)	Valencia	Hosp	09/07/88	40,005,000	36,094,712	8.00%	Gragg	84,046,265	79,225,467	82,292,497	78,686,666
Henry Ohlhoff House	San Francisco	Other	09/14/90	988,333	921,904	6.75%	Starr	2,068,558	1,899,326	2,025,918	1,803,625
Hermandad Mexican Nacional, Inc.	Los Angeles	Clinic	01/06/94	4,385,000	4,166,973	5.75%	Dong	3,724,180	2,995,809	4,024,674	2,785,943
Home for Guiding Hands Corporation	Lakeside	Other	08/02/91	2,805,000	2,576,014	6.75%	Starr	10,968,333	10,420,466	10,750,834	10,462,583
Home for Jewish Parents	Oakland	Multi	07/09/97	12,555,000	12,555,000	5.63%	Dong	842,467	-	167,527	-
Hope Rehabilitation Service	Santa Clara	Other	11/20/90	6,500,000	5,894,274	7.30%	Gipson	17,071,573	16,153,710	17,548,676	16,319,892
Horizon Services, Inc.	Hayward	Other	09/28/92	1,125,000	1,082,603	7.50%	Morgan	3,365,674	3,456,095	3,270,471	3,467,126
Humbolt Open Door Clinic	Arcata	Clinic	03/13/90	1,250,000	1,059,014	7.55%	Beckman	4,892,849	4,607,423	5,015,420	4,575,580
Interim, Inc. and Affiliates	Monterey	Hosp	06/24/91	748,333	686,849	6.75%	Starr	3,193,332	2,706,355	2,963,180	2,489,171
Irwin Memorial Blood Center (Blood Centers of the Pacific)	San Francisco	Other	12/17/91	8,500,000	7,864,641	6.80%	McLaney	29,742,305	24,031,951	32,285,845	23,806,394
Isla Vista Community Clinic	Isla Vista	Clinic	03/07/88	450,000	394,014	7.88%	Gipson	681,903	805,069	746,835	905,256
Janus of Santa Cruz & Janus Foundation, Inc.	Santa Cruz	Other	03/24/93	1,000,000	929,055	5.80%	Gipson	1,898,893	1,934,342	1,871,881	1,876,914
John C. Fremont Healthcare District	Mariposa	Hosp	10/11/94	5,840,000	5,807,452	6.75%	Beckman	6,990,917	6,046,747	7,249,712	6,704,695
Kazi House, Inc.				**2,670,000**	**2,502,698**			**935,867**	**966,810**	**980,682**	**952,708**
Kazi House, Inc. '91	*Compton*	*Other*	*08/22/91*	*2,250,000*	*2,108,082*	*7.85%*	*McLaney*	-	-	-	-
Kazi House, Inc. '92	*Compton*	*Other*	*01/30/92*	*420,000*	*394,616*	*6.90%*	*McLaney*	-	-	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	2	3	4	5	6	7	8	9		10	
Health Facility	Location	Type of Facility	Date Insured	Original Insured Amount	Last Avg Principal Balance	Interest Rate (Highest)	Project Officer	Total Revenues 1997	1996	Total Expenses 1997	1996
Keiro Nursing Home	Los Angeles	SNF	03/10/94	10,635,000	9,823,466	5.88%	Deng	11,022,723	11,914,489	13,548,939	12,040,816
Kern Valley Healthcare District	Lake Isabella	Hosp	02/15/91	20,590,000	18,692,849	6.50%	Graham	18,247,623	17,774,925	18,430,878	17,766,652
La Palma Hospital Medical Center	La Palma	Hosp	09/07/89	28,570,000	24,300,452	7.10%	Juarez	38,950,000	39,933,000	42,103,000	42,658,000
Lodi Memorial Hospital	Lodi	Hosp	09/05/90	18,500,000	14,882,110	7.70%	Graham	66,302,000	59,632,000	63,028,000	56,043,000
Long Beach Youth Centers, Inc.	Long Beach	Other	04/12/93	1,185,000	1,129,397	7.50%	Starr	13,358,337	10,904,904	12,362,685	10,400,216
Los Angeles Centers for Alcohol & Drug Abuse	Santa Fe Springs	Other	01/29/97	1,515,000	1,486,027	6.15%	Gragg	-	1,938,631	-	1,932,897
Lutheran Home for the Aging of Humbolt County, CA, Inc. (St. Luke Manor)	Fortuna	SNF	12/10/91	1,480,000	1,285,959	6.75%	Beckman	3,914,478	3,639,201	3,929,251	3,772,575
Lytton Gardens, Inc. (Lytton Gardens Conv. Hospital)	Palo Alto	SNF	12/30/86	13,360,000	12,650,000	6.30%	Flournoy	7,560,427	6,698,894	7,219,610	6,594,193
Madera Community Hospital	Madera	Hosp	03/11/93	10,200,000	7,618,219	5.70%	Starr	35,067,849	28,268,054	29,853,392	26,969,518
Marshall Hospital				**48,005,000**	**45,564,507**			**55,230,694**	**53,283,997**	**55,457,293**	**56,816,994**
Marshall Hospital '98	*Placerville*	*Hosp*	*05/13/98*	*28,630,000*	*28,630,000*	*5.30%*	*Gragg*	-	-	-	-
Marshall Hospital '93	*Placerville*	*Hosp*	*01/06/93*	*19,975,000*	*17,534,507*	*5.50%*	*Gragg*	-	-	-	-
Mary - Lind Foundation	Los Angeles	Other	01/30/92	905,000	843,849	6.90%	Beckman	-	2,500,956	-	2,788,822
Mayers Memorial Hospital	Fall Rvr. Mills	Hosp	01/27/94	9,220,000	8,360,616	5.63%	Graham	13,467,679	12,857,659	13,331,785	12,851,512
Mendocino Coast Hospital District	Fort Bragg	Hosp	08/28/96	4,030,000	3,940,863	5.88%	Gragg	21,424,601	20,479,210	20,268,897	19,894,812
Mental Health Systems, Inc.	San Diego	Hosp	12/30/92	645,000	612,521	7.50%	McLaney	9,377,734	12,637,576	9,030,461	12,495,009
Mexican American Community Services Agency (M.A.C.S.A.)	San Jose	Other	09/26/89	1,480,000	1,333,288	7.25%	McLaney	3,277,910	2,751,454	3,327,178	2,783,623
MidValley Recovery Services, Inc.	El Monte	Other	01/25/91	1,175,000	1,073,685	7.30%	Gipson	852,217	724,202	850,762	693,380
Milestones Human Services, Inc.	San Francisco	Other	07/17/97	2,795,000	2,792,151	5.10%	Beckman	1,077,287	1,026,534	1,127,820	990,773
Modoc County Medical Center	Alturas	SNF	06/28/90	2,515,000	1,852,521	7.25%	Gragg	6,424,256	5,809,347	7,504,243	6,471,243
North County Health Services/San Marcos Community	San Marcos	Clinic	03/14/96	5,500,000	5,385,726	6.13%	Juarez	12,724,341	11,332,665	12,279,125	11,327,330
Northcountry Clinic for Women & Children	Arcata	Clinic	07/07/88	585,000	509,014	7.88%	Beckman	1,701,293	1,574,935	1,674,977	1,523,454
Olive Crest Treatment Center	Anaheim	Hosp	12/30/92	2,280,000	2,141,829	6.50%	Graham	13,557,768	11,851,413	12,758,500	11,345,878
On Lok Community Housing & On Lok Senior Health Services (On Lok, Inc.)	San Francisco	Multi	12/22/92	13,300,000	12,856,767	6.50%	Deng	23,472,067	18,415,011	22,829,656	16,140,363
Oroville Hospital, Inc.	Oroville	Hosp	10/15/97	27,670,000	27,670,000	5.57%	Juarez	54,766,044	49,723,317	55,309,543	50,688,345
Pacific Clinics	Pasadena	Clinic	06/02/88	5,455,000	4,854,740	8.20%	Graham	17,379,490	13,606,536	17,433,302	13,495,441
Pacific Homes	Woodland Hills	Multi	06/15/93	46,540,000	46,540,000	6.00%	Flournoy	50,261,765	49,276,103	48,147,655	46,663,512
Peninsula Children's Services (PCC / Zonta)	Palo Alto	Other	07/08/91	384,167	353,233	6.75%	Deng	5,328,978	4,682,417	5,129,726	4,671,907
Principles, Inc.	Pasadena	Other	08/22/91	2,245,000	2,103,082	7.05%	Beckman	4,203,536	3,940,128	3,977,480	3,731,561
Prototypes (Prototypes Women's Center)	Pomona	Other	06/23/93	2,530,000	2,214,877	6.10%	Starr	7,753,646	7,405,549	7,628,119	7,458,039
Redlands Community Hospital				**41,617,148**	**18,191,244**			**68,684,972**	**67,839,431**	**63,425,690**	**63,130,927**
Redlands Community Hospital '97	*Redlands*	*Hosp*	*03/17/97*	*37,620,000*	*14,194,096*	*6.50%*	*Staub*	-	-	-	-
Redlands Community Hospital '90	*Redlands*	*Hosp*	*07/26/90*	*3,997,148*	*3,997,148*	*7.15%*	*Staub*	-	-	-	-
Redwood Senior Homes and Services				**41,617,148**	**18,191,244**			**8,723,364**	**10,495,607**	**8,890,106**	**11,983,320**
Redwood Terrace Lutheran Home	*Escondido*	*Adult*	*07/16/91*	*15,280,000*	*12,957,438*	*7.20%*	*Carroll*	-	-	-	-
Redwood Town Court	*Escondido*	*Adult*	*07/08/97*	*6,120,000*	*6,038,501*	*5.65%*	*Carroll*	-	-	-	-
Redwoods R.H.C.	Redway	Clinic	03/13/90	1,250,000	1,134,342	7.55%	McLaney	1,973,154	1,957,244	2,130,640	1,914,585
Sacramento Medical Foundation (Blood Center)	Sacramento	Other	05/06/98	14,460,000	14,460,000	5.40%	McLaney	32,252,984	29,608,569	33,864,315	31,000,645
Salud Para la Gente				**2,485,000**	**2,263,587**			-	**2,632,926**		**2,665,271**
Salud Para La Gente '90	*Watsonville*	*Clinic*	*03/13/90*	*1,865,000*	*1,689,014*	*6.90%*	*Beckman*	-	-	-	-
Salud Para La Gente '92	*Watsonville*	*Clinic*	*07/02/92*	*620,000*	*574,973*	*6.90%*	*Beckman*	-	-	-	-
San Benito Health Foundation	Hollister	Clinic	11/28/90	2,485,000	2,297,041	7.55%	Juarez	2,114,973	1,609,121	1,897,702	1,284,072
San Diego Christian Foundation, Inc./Canyon Villas Retirement Community	San Diego	Multi	08/04/92	8,360,000	7,956,493	6.25%	Juarez	3,567,392	5,460,902	3,588,699	5,436,777
San Francisco Towers (Episcopal Homes Foundation)		Other		-	-			32,275,062	30,333,770	29,489,958	28,579,827
San Gabriel Valley Medical Center	San Gabriel	Hosp	03/27/96	51,500,000	47,265,521	5.85%	Juarez	75,785,000	72,589,000	77,306,000	72,925,000
San Joaquin Health Center	San Joaquin	Clinic	03/13/90	1,025,000	929,342	7.55%	Juarez	2,161,928	1,479,906	2,050,615	1,234,552
Sanctuary House of Santa Barbara	Santa Barbara	Hosp	01/16/91	798,333	741,205	6.75%	Gragg	1,892,660	1,627,401	2,096,259	1,976,924
Santa Barbara Medical Foundation	Santa Barbara	Clinic	08/08/89	15,000,000	13,430,849	7.10%	Gragg	58,384,000	52,234,407	53,039,652	53,015,519
Selma District Hospital	Selma	Hosp	11/06/86	5,000,000	4,233,493	7.25%	Staub	14,214,623	14,167,538	14,714,647	14,665,944
Seneca Residential and Date Treatment Center for Children (Seneca Center for children)	San Leandro	Other	07/13/90	285,000	183,164	6.75%	Gipson	13,928,245	12,226,177	13,785,864	11,934,941
Sequoia Community Health Foundation				**4,460,000**	**4,180,335**			**5,073,419**	**5,490,454**	**4,787,658**	**4,769,451**
Sequoia Community Health Foundation '86	*Fresno*	*Clinic*	*12/23/86*	*880,000*	*728,795*	*7.00%*	*Staub*	-	-	-	-
Sequoia Community Health Foundation '88	*Fresno*	*Clinic*	*07/07/88*	*380,000*	*334,307*	*7.88%*	*Staub*	-	-	-	-
Sequoia Community Health Foundation '90	*Fresno*	*Clinic*	*11/20/90*	*850,000*	*788,690*	*7.55%*	*Staub*	-	-	-	-
Sequoia Community Health Foundation '93	*Fresno*	*Clinic*	*11/18/93*	*2,430,000*	*2,328,137*	*5.60%*	*Staub*	-	-	-	-
Sherman Oaks Health System (formerly Triad Healthcare)	Encino	Hosp	03/31/95	4,000,000	-	Prime	Staub	43,729,000	34,114,000	44,842,000	34,278,000

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	2	3	4	5	6	7	8	9		10	
Health Facility	Location	Type of Facility	Date Insured	Original Insured Amount	Last Avg Principal Balance	Interest Rate (Highest)	Project Officer	Total Revenues 1997	1996	Total Expenses 1997	1996
Sierra View District Hospital				**46,345,000**	**41,935,493**			**64,666,288**	**57,259,938**	**69,290,823**	**54,472,914**
Sierra View District Hospital '86	*Porterville*	*Hosp*	*05/07/86*	*13,195,000*	*10,318,918*	*7.25%*	*Juarez*	-	-	-	-
Sierra View District Hospital '92	*Porterville*	*Hosp*	*12/17/92*	*33,150,000*	*31,616,575*	*6.48%*	*Juarez*	-	-	-	-
Sierra View Homes	Reedley	Multi	12/18/96	4,425,000	4,341,000	6.10%	Starr	3,105,894	3,135,449	2,921,483	2,852,883
Social Model Recovery Systems	Orange	Other	03/19/93	920,000	880,534	7.50%	Juarez	3,029,323	2,642,409	2,769,879	2,616,924
Social Science Services	Bloomington	Other	10/16/90	2,150,000	1,963,562	7.63%	McLaney	1,873,815	1,771,612	1,756,214	1,924,710
Solheim Lutheran Home	Eagle Rock	Multi	06/23/94	8,230,000	7,510,370	6.50%	Juarez	5,884,317	5,824,705	5,929,543	5,720,598
Solvang Lutheran Home	Solvang	Multi	08/27/96	5,210,000	5,097,288	6.00%	Gipson	5,054,449	5,085,017	4,824,828	4,867,573
Sonoma Valley Hospital District	Sonoma	Hosp	02/11/87	8,940,000	7,512,329	6.63%	Gipson	27,624,600	26,405,600	28,708,800	26,966,400
South Bay Alcoholism Services	Torrance	Other	03/24/93	1,250,000	1,198,740	5.80%	Juarez	1,073,417	964,910	1,000,087	916,027
Southern CA Alcohol & Drug Programs				**6,170,000**	**6,053,364**			**6,310,736**	**5,385,599**	**6,084,718**	**4,864,583**
Southern CA Alcohol & Drug Programs '97	*Downey*	*Other*	*12/18/97*	*4,095,000*	*4,095,000*	*5.40%*	*Beckman*	-	-	-	-
Southern CA Alcohol & Drug Programs '93	*Downey*	*Other*	*06/11/93*	*760,000*	*723,055*	*7.50%*	*Beckman*	-	-	-	-
Southern CA Alcohol & Drug Programs-Heritage House	*Costa Mesa*	*Other*	*12/29/92*	*1,315,000*	*1,235,309*	*6.50%*	*Beckman*	-	-	-	-
Southern CA Presbyterian Homes '91	Glendale	Multi	11/20/91	35,000,000	29,823,014	6.75%	Carroll	43,067,000	35,378,000	41,394,000	34,068,000
Southern California Development Corp	La Mesa	Hosp	01/12/96	3,500,000	3,371,192	6.10%	Graham	469,380	137,912	452,702	126,841
St. Luke's Hospital - S.F.	San Francisco	Hosp	07/15/97	9,815,000	9,520,137	7.49%	McLaney	85,839,000	78,244,000	86,770,000	79,506,000
St. Paul's	San Diego	Multi	09/13/94	7,140,000	6,507,274	6.50%	Gragg	7,231,531	8,179,654	6,739,457	6,362,321
Sunny View Lutheran Home	Cupertino	Multi	09/17/97	4,430,000	4,430,000	5.50%	Beckman	7,584,407	6,458,993	5,679,840	5,177,393
Sunset Haven	Upland	Multi	08/28/97	6,320,000	6,320,000	5.50%	Gipson	-	6,493,890	-	7,111,943
Tahoe Forest Hospital	Truckee	Hosp	08/04/94	12,755,000	10,187,315	6.10%	Morgan	35,502,409	32,295,758	33,946,732	29,745,074
The Arc of San Diego and Arc San Diego Foundation	San Diego	Other	07/23/97	9,260,000	9,044,521	5.75%	Beckman	17,205,873	17,943,153	17,418,195	17,729,342
The Asian Americans for Community Involvement of Santa Clara County, Inc.		SNF		-	-			3,812,993	3,521,786	3,624,844	3,644,520
The H.E.L.P. Group	Sherman Oaks	Clinic	05/22/98	17,275,000	17,275,000	5.31%	Graham	15,646,878	13,636,002	15,241,331	13,489,476
The Jeffrey Foundation	Los Angeles	Hosp	12/18/92	300,000	281,425	7.50%	Doeg	1,453,488	1,256,894	1,571,239	1,236,020
The Peg Taylor Center for Adult Healthcare (Innovative Health Care Services)	Chico	Other	12/18/90	509,167	467,000	6.75%	Morgan	836,180	790,958	798,937	721,760
Thessalonika Family Services	Temecula	Hosp	12/19/95	1,360,000	1,277,781	6.20%	Juarez	1,996,038	1,868,532	1,834,076	1,800,083
Third Floor				**3,440,000**	**3,205,931**				**1,810,310**		**1,736,047**
Third Floor '91	*Fresno*	*Other*	*10/29/91*	*3,150,000*	*2,931,164*	*6.85%*	*Beckman*	-	-	-	-
Third Floor '93	*Fresno*	*Other*	*11/18/93*	*290,000*	*274,767*	*5.60%*	*Beckman*	-	-	-	-
True to Life Children's Services	Sebastopol	Other	09/17/97	1,700,000	1,700,000	5.65%	Gipson	3,726,047	3,559,542	3,707,853	3,596,461
Tulare District Hospital	Tulare	Hosp	01/02/92	13,000,000	12,025,890	6.75%	Beckman	39,721,934	36,950,894	39,231,238	36,417,428
United Cerebral Palsy Assoc. of OC	Santa Ana	Other	09/17/93	755,000	725,370	7.50%	Beckman	2,306,726	2,349,375	2,371,582	2,384,467
United Health Center of S.J. Valley	Parlier	Clinic	03/13/90	1,020,000	929,342	7.55%	Graham	10,811,935	12,018,838	10,685,479	11,893,518
Verdugo Mental Health Center	Glendale	Clinic	12/16/93	995,000	954,356	7.50%	Juarez	3,425,241	3,543,511	3,534,467	3,662,434
Valleycare Health System (VHS)				**51,325,000**	**54,457,192**			**77,348,000**	**71,445,000**	**76,620,000**	**72,575,000**
Valley Memorial Hospital	*Livermore*	*Hosp*	*07/07/93*	*11,660,000*	*11,037,589*	*6.00%*	*Gipson*	-	-	-	-
VHS-Valleycare Hospital	*Pleasanton*	*Hosp*	*07/22/97*	*31,165,000*	*36,134,329*	*5.50%*	*Gipson*	-	-	-	-
VHS-Valleycare Hospital	*Pleasanton*	*Hosp*	*05/06/92*	*8,500,000*	*7,285,274*	*6.10%*	*Gipson*	-	-	-	-
Victor Valley Comm. Hospital	Victorville	Hosp	07/01/84	11,400,000	6,985,000	9.86%	Staub	60,283,365	60,198,615	60,732,742	59,628,824
Villa View Community Hospital, Inc.				**17,000,000**	**14,179,685**			**13,040,247**	**12,834,499**	**13,421,848**	**13,458,942**
Villa View Comm. Hosp. Inc. '91	*San Diego*	*Hosp*	*09/17/91*	*15,000,000*	*13,591,685*	*7.00%*	*Graham*	-	-	-	-
Villa View Comm. Hosp. Inc. '92	*San Diego*	*Hosp*	*02/25/92*	*2,000,000*	*588,000*	*Prime + 1*	*Graham*	-	-	-	-
Walden House, Inc.	San Francisco	Other	03/24/92	8,800,000	8,160,863	6.85%	Beckman	15,603,005	14,879,404	15,527,896	14,887,224
Walker Senior Housing Corp.				**20,270,000**	**18,904,740**			**6,398,165**	**5,787,215**	**8,236,504**	**6,790,499**
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)	*Chico*	*Multi*	*05/01/91*	*15,000,000*	*13,813,904*	*6.75%*	*Gipson*	-	-	-	-
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)	*Chico*	*Multi*	*11/17/93*	*5,270,000*	*5,090,836*	*5.70%*	*Gipson*	-	-	-	-
Watsonville Community Hospital				**36,385,000**	**34,822,781**			**50,555,000**	**54,224,000**	**56,424,000**	**52,682,000**
Watsonville Community Hospital '95	*Watsonville*	*Hosp*	*05/25/95*	*20,000,000*	*19,735,055*	*6.35%*	*Beckman*	-	-	-	-
Watsonville Community Hospital '96	*Watsonville*	*Hosp*	*06/27/96*	*16,385,000*	*15,087,726*	*6.20%*	*Beckman*	-	-	-	-
Watts Health Foundation Inc.	Los Angeles	Clinic	12/21/76	2,500,000	160,321	9.50%	McLaney	204,739,000	194,746,000	198,728,000	202,714,000
West Oakland Community		Clinic		-	-			-	-	-	-
West Oakland Health Council	Oakland	Clinic	10/24/90	2,500,000	2,357,479	7.60%	McLaney	15,695,916	14,878,223	15,552,600	14,750,034
West Side Dist. Hospital	Taft	Hosp	02/01/91	4,900,000	4,595,000	7.35%	Gragg	7,388,360	7,342,134	8,089,556	8,421,519

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

I	11		12		13		14		15		16	
	Total Income		Depreciation		Interest Paid		Interest Expense		Current Portion of Long-Term Debt		Current Portion of Capital Leases	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
AVCC-Apple Valley Retirement Care Center	(94,192)	(149,562)	356,953	402,158	582,296	589,963	642,423	651,116	145,000	135,000	-	-
ACC-Avenues to Mental Health	-	162,457	-	315,034	-	509,858	-	509,858	-	167,514	-	-
ACC-Miramonte Mental Health Services	-	17,844	-	130,570	-	176,966	-	176,966	-	42,153	-	-
Advent Group Ministries Inc.	(38,480)	69,573	62,813	49,467	64,093	61,194	64,093	61,194	15,000	15,000	6,093	6,125
AIDS Healthcare Foundation	**24,963**	**38,459**	**604,280**	**561,840**	**717,077**	**500,281**	**776,305**	**557,505**	**246,126**	**259,438**	-	-
AIDS Healthcare Foundation '92	-	-	-	-	-	-	-	-	-	-	-	-
AIDS Healthcare Foundation '98	-	-	-	-	-	-	-	-	-	-	-	-
AIDS Healthcare Foundation-Linn House	-	-	-	-	-	-	-	-	-	-	-	-
AIDS Project - Los Angeles	(1,046,319)	(1,589,546)	498,232	507,046	586,341	593,730	595,693	595,422	169,583	154,583	20,940	20,940
Airport Marina Counseling Service	13,323	(71,649)	8,428	7,716	45,238	41,653	45,238	41,653	15,000	15,000	-	3,715
Aldea, Inc.	421,433	51,606	40,941	38,403	56,236	58,908	56,236	58,908	22,430	23,093	-	-
Alderaly, Inc.	762,735	316,450	261,035	272,359	123,320	122,861	208,415	208,201	30,000	30,000	-	-
Alliance for Community Care (ACC)	(116,067)	180,281	531,246	445,604	663,283	686,824	663,283	686,824	195,388	209,667	-	-
Alta Med Health Services Corporation	(2,990,563)	306,184	631,213	587,239	430,109	399,358	430,109	399,358	221,257	119,219	167,248	-
Ararat Homes of Los Angeles, Inc.	88,229	2,042,754	715,086	693,344	449,319	456,025	267,287	455,481	-	-	-	-
Asian Community SNF (Asian Comm. Care Center of Sac. Vly)	373,886	413,988	168,033	159,760	172,240	176,352	172,240	176,352	-	-	-	-
Asian Health Services, Inc.	(23,674)	708,123	256,906	167,541	396,095	18,602	396,095	18,602	150,000	145,000	-	-
Atascadero Committee for Education DBA: Escuela del Rio	114,305	38,638	27,771	27,540	20,516	15,823	20,516	15,823	17,140	16,782	-	-
Atherton Baptist Homes	829,623	749,666	997,360	915,359	627,305	658,387	630,296	650,042	301,002	347,126	-	-
Bay Harbor Hospital	3,304,767	4,045,028	2,145,826	2,049,246	951,460	936,188	945,027	911,964	394,900	221,366	-	-
Beacon House Association	226,975	218,170	40,081	39,893	126,410	127,681	126,410	127,681	40,000	35,000	-	-
Becoming Independent	519,687	460,679	112,800	98,299	90,500	57,496	87,170	60,685	36,667	36,167	-	-
Behavioral Health Services	477,151	29,639	374,806	375,328	703,135	780,442	703,135	780,442	254,591	201,229	-	-
Bi-Bett Corporation	80,923	146,386	91,014	71,451	53,161	47,377	53,161	47,377	84,291	18,169	6,222	3,048
Big Valley Medical Services, Inc.	53,257	82,339	32,772	31,296	49,595	50,750	49,300	50,170	30,403	30,618	-	-
Butte Valley - Tulelake Rural Health Projects, Inc.	(116,700)	(153,423)	54,647	55,478	99,020	72,479	99,020	72,479	15,000	15,000	-	-
California Autism Foundation, Inc.	227,638	(72,492)	142,862	151,369	261,021	304,902	329,573	304,902	479,536	109,983	-	-
California Lutheran Homes (CLH)	140,423	223,304	1,295,485	1,309,230	882,776	896,255	916,389	938,000	489,169	468,172	-	-
California Odd Fellows Housing of NAPA, Inc. (The Meadows of Napa)	176,851	320,007	740,837	654,866	1,017,544	959,859	1,017,544	959,859	350,000	-	-	-
Canyon Acres Children's Services, Inc.	(133,500)	(168,962)	80,809	88,796	75,763	76,023	77,023	77,285	18,217	17,547	-	-
Casa de las Campanas	2,062,071	347,821	1,650,232	1,652,799	3,403,165	4,356,871	3,376,494	4,333,690	1,362,220	14,000,000	-	-
Casa Dorinda	219,766	339,405	1,411,374	1,244,066	1,042,230	1,015,292	1,015,307	1,027,682	480,000	450,000	-	-
Center for AIDS Research, Education and Services	697,766	22,159	14,466	18,288	-	-	-	-	-	-	2,520	2,765
Central Coast Neurobehavorial Center	41,110	105,970	35,160	30,291	47,089	44,251	47,089	44,251	58,626	5,000	-	-
Central Valley Indian Health, Inc.	15,907	222,069	75,555	76,171	80,030	82,332	80,030	82,332	98,898	95,030	-	-
Channing House	1,061,972	1,126,212	430,625	398,396	655,080	666,500	655,080	666,500	160,000	150,000	-	-
CHCCC-Nipomo Community	-	-	-	-	-	-	-	-	-	-	-	-
CHCW&SC-Mercy McMahon Terrace	35,651,000	172,634,000	224,884,000	183,544,000	68,416,000	63,508,000	79,028,000	68,764,000	41,577,000	29,487,000	-	-
Children Youth and Family Services (Lompoc Hospital District)	(2,432,854)	369,678	1,582,902	1,527,111	573,386	391,481	518,682	441,589	278,153	160,000	-	-
Children's Institute International	3,236,018	436,664	466,378	454,486	353,555	355,326	353,555	355,326	90,000	85,000	-	-
Clare Foundation, Inc.	43,605	(29,063)	137,801	131,764	144,923	147,859	144,923	147,859	46,951	45,370	-	-
CLH-Carlsbad by the Sea	-	-	-	-	-	-	-	-	-	-	-	-
Clinicas de Salud del Valle de Salinas	56,741	231,347	201,250	196,189	162,084	161,935	162,084	161,935	174,877	174,877	-	-
Clinicas de Salud/Pueblo	121,861	44,627	223,594	221,593	114,195	122,484	114,195	122,484	42,057	60,721	17,058	33,262
Clinicas del Camino Real	**421,574**	**(601,086)**	**415,035**	**365,478**	**873,582**	**504,272**	**873,582**	**504,272**	**716,177**	**217,480**	**113,419**	-
Clinicas del Camino Real '90	-	-	-	-	-	-	-	-	-	-	-	-
Clinicas del Camino Real '93	-	-	-	-	-	-	-	-	-	-	-	-
Community Church Retirement Center DBA: The Redwoods	(341,722)	81,769	341,381	334,215	379,600	403,015	965,280	416,805	55,000	95,000	-	-
Community Health Centers of the Central Coast (CHCCC)	(6,603,769)	(5,401,089)	205,152	197,788	95,576	99,393	95,576	99,393	149,894	149,025	6,069	9,476
Community Medical Centers, Inc.	144,831	(232,796)	226,758	201,315	239,888	219,545	239,888	219,545	60,389	29,042	-	14,142
Corcoran District Hospital	-	(1,346,150)	-	279,493	-	117,156	-	240,489	-	437,058	-	-
DCHC-Urgent Care	119,309	145,158	109,704	105,087	58,483	83,947	54,880	83,947	16,432	16,243	37,300	55,967
Del Norte Clinics, Inc. (DNC)	**318,396**	**65,740**	**201,238**	**212,260**	**211,629**	**225,960**	**205,170**	**231,258**	**139,547**	**335,674**	-	-
DNC-Lindhurst Family Health Center	-	-	-	-	-	-	-	-	-	-	-	-
DNC-Orland Family Health Center	-	-	-	-	-	-	-	-	-	-	-	-
Desarrollo Familiar	5,215	7,024	8,284	8,537	8,779	9,975	8,779	9,975	-	-	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	11		12		13		14		15		16	
	Total Income		Depreciation		Interest Paid		Interest Expense		Current Portion of Long-Term Debt		Current Portion of Capital Leases	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Drug Abuse Alternatives Center	69,427	18,855	81,591	78,706	121,926	127,782	122,051	128,695	46,058	77,341	-	-
East Bay Agency for Children	172,048	119,775	61,760	61,499	12,513	13,671	12,513	13,671	13,976	12,729	-	-
Easter Seal Society	130,093	(220,663)	92,219	101,040	282,003	288,207	71,303	73,314	462,572	380,649	-	-
Eastfield Ming Quong	2,578,584	(418,558)	665,378	663,290	448,037	540,386	479,685	539,285	170,000	110,000	65,552	65,083
Eden Hospital Health Services Corporation (Baywood Court)	563,466	559,074	997,675	964,717	1,264,461	1,284,374	1,118,679	1,122,325	55,000	525,000	-	-
El Proyecto del Barrio, Inc.	-	278,614	-	105,075	-	123,485	-	123,685	-	35,000	-	-
Eskaton and Subsidiaries	**(64,000)**	**1,137,000**	**4,276,000**	**4,154,000**	**4,002,000**	**4,069,000**	**3,990,000**	**4,059,000**	**1,492,000**	**1,406,000**	-	-
Eskaton Properties	-	-	-	-	-	-	-	-	-	-	-	-
Eskaton Village	-	-	-	-	-	-	-	-	-	-	-	-
Exceptional Children's Foundation	1,136,036	1,636,324	342,109	382,724	232,673	496,291	232,673	496,291	186,425	519,395	-	-
FACT Retirement Services	**(178,436)**	**(516,975)**	**1,146,347**	**1,038,144**	**1,651,596**	**1,237,000**	**1,651,596**	**1,237,000**	**880,000**	**760,000**	-	-
FACT - Villa Gardens	-	-	-	-	-	-	-	-	-	-	-	-
FACT - Villa Gardens (Ser. A)	-	-	-	-	-	-	-	-	-	-	-	-
FACT - Villa Gardens (Ser. B)	-	-	-	-	-	-	-	-	-	-	-	-
FACT - Vista del Monte	-	-	-	-	-	-	-	-	-	-	-	-
FACT - Vista del Monte	-	-	-	-	-	-	-	-	-	-	-	-
Fallbrook Hospital	-	(752,435)	-	821,550	-	394,116	-	367,314	-	732,133	-	-
FamilionFirst, Inc.	1,475,849	(314,522)	501,246	521,653	794,871	829,771	794,871	829,771	139,976	70,696	43,370	69,569
Family Health Foundation (FHF)	(318,384)	(2,396,355)	520,162	366,147	382,208	359,738	382,208	359,738	115,000	30,996	11,467	-
Friends Association of Services for the Elderly (FASE)	**49,320**	**172,320**	**327,855**	**312,812**	**261,642**	**311,286**	**261,220**	**307,471**	**132,000**	**130,000**	-	-
FASE-Friends House	-	-	-	-	-	-	-	-	-	-	-	-
FASE-Friends House	-	-	-	-	-	-	-	-	-	-	-	-
Feedback Foundation, Inc.	33,550	4,169	140,163	160,519	139,623	126,556	139,623	126,556	33,104	33,104	-	-
Fellowship Homes, Inc. (Casa de Modesto)	275,838	140,549	283,438	287,121	365,769	391,903	338,481	393,239	158,143	120,000	5,606	5,094
Gardner Family Care Corp.	**464,611**	**552,828**	**119,792**	**117,016**	**56,067**	**78,702**	**56,067**	**78,702**	**145,249**	**104,166**	**52,338**	**54,288**
FHF-Gardner Family Health Network, Inc.	-	-	-	-	-	-	-	-	-	-	-	-
Gardner Family Care Corporation (Gardner Health Center)	-	-	-	-	-	-	-	-	-	-	-	-
Gateway Center of Monterey County, Inc.	(40,886)	39,944	88,520	61,173	67,076	68,878	67,076	68,878	42,217	19,907	-	19,403
Gold Country Health, Bixby, Mayflower RHF, Mayflower Gardens	**25,728,534**	**18,596,571**	**1,962,239**	**1,386,930**	**2,651,234**	**2,681,815**	**3,647,596**	**2,755,784**	**705,000**	**670,000**	**59,556**	**52,379**
GCH - Bixby Knolls Towers	-	-	-	-	-	-	-	-	-	-	-	-
GCH - Mayflower Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Giarretto Institute	(214,757)	(163,272)	113,411	103,193	87,198	58,502	81,826	82,006	15,000	15,000	10,790	8,522
Guadalupe Homes	**641,882**	**1,531,732**	**636,530**	**530,286**	**276,270**	**226,589**	**276,270**	**226,589**	**134,037**	**80,693**	-	-
Guadalupe Homes '91	-	-	-	-	-	-	-	-	-	-	-	-
Guadalupe Homes '94	-	-	-	-	-	-	-	-	-	-	-	-
Golden Valley Health Center	**286,929**	**(171,793)**	**514,145**	**483,000**	**419,296**	**434,271**	**419,296**	**434,271**	**264,639**	**160,004**	**77,533**	**63,186**
GVHC-Childs Avenue Clinic	-	-	-	-	-	-	-	-	-	-	-	-
GVHC-West Modesto Medical Clinic	-	-	-	-	-	-	-	-	-	-	-	-
Hazel Hawkins Memorial Hospital	1,884,538	1,042,500	873,489	1,019,511	665,862	689,913	665,862	689,913	456,720	458,659	-	-
Henrietta Weil Memorial	(51,730)	-	80,233	69,662	67,240	81,187	67,976	80,736	50,000	45,000	-	-
Henry Mayo Newhall Memorial Hospital (Santa Clarita Health Care Association & Affiliates)	1,753,768	538,801	3,761,158	3,361,608	4,146,641	4,366,739	4,146,641	4,346,509	757,950	705,814	209,189	423,573
Henry Ohlhoff House	42,640	95,701	103,425	89,312	70,911	71,303	70,911	71,303	15,000	15,000	-	-
Hermandad Mexican Nacional, Inc.	(300,494)	209,866	315,711	399,174	498,204	579,604	516,687	477,397	405,000	407,400	49,347	49,347
Horse for Guiding Hands Corporation	217,499	(42,117)	254,039	276,080	213,328	194,138	212,261	194,138	46,621	41,385	-	-
Home for Jewish Parents	634,940	-	-	-	-	-	-	-	100,000	-	-	-
Hope Rehabilitation Service	(477,103)	(166,182)	496,864	436,385	421,014	448,000	421,014	448,926	124,438	161,360	-	-
Horizon Services, Inc.	95,203	(11,031)	48,808	62,938	85,626	68,356	85,328	95,041	15,000	15,000	-	-
Humboldt Open Door Clinic	(122,571)	31,843	128,478	153,262	122,880	123,197	122,692	123,197	91,173	108,445	-	-
Interim, Inc. and Affiliates	430,152	217,184	166,851	164,670	104,820	120,170	118,686	120,152	24,128	22,825	-	-
Irwin Memorial Blood Center (Blood Centers of the Pacific)	(2,543,540)	225,557	997,889	741,838	487,620	539,067	533,748	538,482	145,000	140,000	-	-
Isla Vista Community Clinic	(64,932)	(100,187)	27,464	28,638	32,952	32,834	33,088	32,902	10,000	10,000	-	-
Janus of Santa Cruz & Janus Foundation, Inc.	27,012	57,428	37,686	21,379	2,613	1,452	2,613	1,452	-	-	-	-
John C. Fremont Healthcare District	(258,795)	(657,948)	260,920	226,147	260,920	13,968	171,910	78,603	263,662	198,580	-	-
Kazi House, Inc.	**(44,815)**	**14,102**	**112,574**	**122,170**	**177,668**	**180,390**	**177,668**	**180,390**	-	-		
Kazi House, Inc. '91	-	-	-	-	-	-	-	-	-	-	-	-
Kazi House, Inc. '92	-	-	-	-	-	-	-	-	-	-	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	11		12		13		14		15		16	
	Total Income		Depreciation		Interest Paid		Interest Expense		Current Portion of Long-Term Debt		Current Portion of Capital Leases	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Keiro Nursing Home	(526,216)	(106,327)	564,283	521,136	613,048	627,373	627,296	625,086	280,596	269,133	-	-
Kern Valley Healthcare District	(183,255)	8,273	1,412,379	1,377,878	1,364,079	1,421,322	1,364,079	1,421,322	753,744	660,410	-	-
La Palma Hospital Medical Center	(3,153,000)	(2,725,000)	2,195,000	2,115,000	1,953,000	2,070,000	1,953,000	2,070,000	840,000	790,000	-	-
Lodi Memorial Hospital	3,274,000	3,589,000	2,947,000	3,373,000	1,246,000	1,302,000	1,145,000	1,233,000	720,000	675,000	-	-
Long Beach Youth Centers, Inc.	995,652	504,688	325,680	122,766	93,304	111,441	97,148	117,424	20,000	40,250	-	-
Los Angeles Centers for Alcohol & Drug Abuse	-	5,734	-	1,559	-	6,613	-	6,613	-	78,963	-	-
Lutheran Home for the Aging of Humbolt County, CA, Inc. (St. Luke Manor)	(14,773)	(133,374)	141,278	130,934	855	825	88,930	92,196	50,000	45,000	5,381	-
Lytton Gardens, Inc. (Lytton Gardens Conv. Hospital)	340,817	104,701	297,691	283,612	886,580	886,580	927,945	939,274	345,000	-	26,053	-
Madera Community Hospital	5,214,457	1,298,536	1,488,083	1,471,360	452,341	473,235	444,922	472,029	555,000	530,000	21,856	20,629
Marshall Hospital	**(226,599)**	**(3,532,997)**	**6,034,994**	**5,763,298**	**1,329,160**	**1,529,000**	**1,924,986**	**2,074,717**	**980,000**	**1,366,500**	-	-
Marshall Hospital '88	-	-	-	-	-	-	-	-	-	-	-	-
Marshall Hospital '93	-	-	-	-	-	-	-	-	-	-	-	-
Mary - Lind Foundation	-	(287,866)	-	127,021	-	173,435	-	173,435	74,340	75,375	-	-
Mayers Memorial Hospital	135,894	6,147	668,863	681,174	563,765	568,937	563,765	568,937	239,622	227,702	143,922	126,274
Mendocino Coast Hospital District	1,155,704	584,398	818,488	687,142	249,505	328,452	266,083	326,138	185,000	150,000	-	-
Mental Health Systems, Inc.	347,273	142,567	73,949	66,177	55,740	66,203	55,740	66,203	10,000	31,252	-	-
Mexican American Community Services Agency (M.A.C.S.A.)	(49,268)	(32,169)	186,424	207,500	76,210	91,605	76,210	91,605	106,500	109,833	17,978	-
MidValley Recovery Services, Inc.	1,455	30,822	40,817	40,935	94,025	96,795	94,025	96,795	10,000	15,000	-	-
Milestones Human Services, Inc.	(50,533)	35,761	28,954	1,283	88,792	17	23,716	17	62,429	-	-	-
Modoc County Medical Center	(1,079,987)	(661,896)	229,199	194,244	150,568	151,416	150,568	151,416	113,624	90,536	-	-
North County Health Services/San Marcos Community	445,216	5,335	409,383	286,603	340,020	119,014	292,339	76,712	147,509	145,696	18,947	21,500
Northcountry Clinic for Women & Children	26,316	51,481	40,564	45,220	44,659	49,334	44,659	49,334	24,022	36,674	-	-
Olive Crest Treatment Center	799,268	505,535	366,587	291,842	312,230	303,020	321,389	303,020	311,541	195,964	-	-
On Lok Community Housing & On Lok Senior Health Services (On Lok, Inc.)	642,411	2,274,648	477,631	345,266	348,794	350,897	349,935	352,389	91,828	87,654	-	-
Oroville Hospital, Inc.	(543,499)	(965,028)	1,776,537	2,018,321	1,742,601	1,286,999	1,286,336	1,278,926	3,715	439,867	362,286	213,817
Pacific Clinics	(53,812)	111,095	401,727	345,914	424,485	419,994	424,012	419,564	85,000	80,000	-	-
Pacific Homes	2,114,110	2,612,591	4,897,142	4,463,443	4,083,325	3,220,000	3,997,240	4,044,062	25,670	626,774	-	-
Peninsula Children's Services (PCC / Zonta)	199,252	10,510	51,793	50,740	26,368	26,000	26,368	26,000	5,000	5,000	-	-
Principles, Inc.	226,056	208,567	117,350	143,579	183,185	168,185	183,752	170,448	51,974	43,487	-	-
Prototypes (Prototypes Women's Center)	125,527	(52,490)	171,117	170,424	141,288	143,744	141,288	143,904	80,000	80,000	-	-
Redlands Community Hospital	**5,259,282**	**4,708,504**	**4,722,174**	**4,681,481**	**1,986,000**	**2,202,000**	**1,985,635**	**2,202,068**	**3,193,698**	**3,046,357**		
Redlands Community Hospital '87	-	-	-	-	-	-	-	-	-	-	-	-
Redlands Community Hospital '90	-	-	-	-	-	-	-	-	-	-	-	-
Redwood Senior Homes and Services	**(166,742)**	**(1,487,713)**	**692,651**	**1,045,727**	**586,912**	**1,464,810**	**863,753**	**933,914**	**631,000**	**598,857**	-	-
Redwood Terrace Lutheran Home	-	-	-	-	-	-	-	-	-	-	-	-
Redwood Town Court	-	-	-	-	-	-	-	-	-	-	-	-
Redwoods R.H.C.	(157,486)	42,659	73,015	74,456	90,611	89,468	90,611	90,569	29,208	20,000	-	-
Sacramento Medical Foundation (Blood Center)	(1,611,331)	(1,392,076)	1,937,431	1,769,193	619,982	623,418	746,941	618,928	267,319	250,055	-	-
Salud Para La Gente		**(32,345)**		**108,722**		**234,140**		**234,140**		**65,678**		**8,413**
Salud Para La Gente '90	-	-	-	-	-	-	-	-	-	-	-	-
Salud Para La Gente '92	-	-	-	-	-	-	-	-	-	-	-	-
San Benito Health Foundation	217,271	325,049	117,241	110,000	168,986	163,643	168,986	163,643	35,000	35,988	-	-
San Diego Christian Foundation, Inc./Canyon Villas Retirement Community	(21,307)	24,125	331,340	526,397	610,367	948,807	617,397	949,895	152,938	135,000	-	-
San Francisco Towers (Episcopal Homes Foundation)	2,785,104	1,753,943	2,366,902	2,321,342	1,442,715	1,508,015	1,437,591	1,494,967	2,417,530	2,428,888	-	-
San Gabriel Valley Medical Center	(1,521,000)	(336,000)	4,515,000	4,350,000	2,967,000	3,529,000	2,967,000	3,529,000	18,000	66,000	-	-
San Joaquin Health Center	111,313	245,354	71,746	57,739	78,048	73,235	78,048	73,235	15,000	15,000	-	-
Sanctuary House of Santa Barbara	(203,599)	(349,523)	89,755	60,259	171,507	175,449	194,537	175,001	60,764	1,390,490	-	-
Santa Barbara Medical Foundation	5,344,348	(781,112)	2,027,305	2,103,932	1,025,269	1,034,807	1,025,269	1,034,807	280,000	260,000	-	-
Selma District Hospital	(500,024)	(498,406)	712,831	760,361	318,275	325,638	314,348	323,324	105,000	100,000	-	-
Seneca Residential and Date Treatment Center for Children (Seneca Center for children)	142,381	291,236	158,027	146,134	10,043	25,456	24,866	25,456	25,766	5,000	-	-
Sequoia Community Health Foundation	**285,761**	**721,003**	**264,432**	**271,421**	**291,416**	**321,143**	**291,416**	**321,143**	**95,000**	**158,600**	-	-
Sequoia Community Health Foundation '86	-	-	-	-	-	-	-	-	-	-	-	-
Sequoia Community Health Foundation '88	-	-	-	-	-	-	-	-	-	-	-	-
Sequoia Community Health Foundation '90	-	-	-	-	-	-	-	-	-	-	-	-
Sequoia Community Health Foundation '93	-	-	-	-	-	-	-	-	-	-	-	-
Sherman Oaks Health System (formerly Triad Healthcare)	(1,113,000)	(164,000)	2,636,000	1,879,000	97,000	2,073,000	2,619,000	2,073,000	864,000	76,000	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	11		12		13		14		15		16	
	Total Income		Depreciation		Interest Paid		Interest Expense		Current Portion of Long-Term Debt		Current Portion of Capital Leases	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Sierra View District Hospital	**(4,624,535)**	**2,787,024**	**5,116,389**	**3,370,499**	**2,916,881**	**2,870,003**	**2,897,915**	**1,002,441**	**936,690**	**865,000**	-	-
Sierra View District Hospital '86	-	-	-	-	-	-	-	-	-	-	-	-
Sierra View District Hospital '92	-	-	-	-	-	-	-	-	-	-	-	-
Sierra View Homes	186,411	282,566	184,838	181,600	182,440	355,339	242,672	270,778	105,000	5,000	-	-
Social Model Recovery Systems	259,444	25,485	58,473	85,688	66,949	4,340	66,949	4,340	11,667	10,000	-	-
Social Science Services	117,601	(153,098)	60,480	66,293	159,219	167,742	159,219	167,741	56,024	96,865	-	-
Solheim Lutheran Home	(45,226)	104,107	448,020	431,088	482,299	491,269	480,629	489,996	210,000	205,000	-	-
Solvang Lutheran Home	229,621	217,444	406,967	383,853	305,393	378,713	305,393	357,728	130,000	60,000	-	-
Sonoma Valley Hospital District	(1,086,200)	(560,800)	1,683,300	1,704,200	832,300	861,200	832,300	861,200	603,900	573,000	-	-
South Bay Alcoholism Services	73,330	48,883	40,596	38,953	73,573	72,889	73,573	72,889	43,184	42,742	-	-
Southern CA Alcohol & Drug Programs	**226,018**	**521,096**	**132,589**	**112,200**	**272,761**	**252,093**	**272,761**	**252,093**	**52,929**	**50,440**	-	-
Southern CA Alcohol & Drug Programs '93	-	-	-	-	-	-	-	-	-	-	-	-
Southern CA Alcohol & Drug Programs '97	-	-	-	-	-	-	-	-	-	-	-	-
Southern CA Alcohol & Drug Programs-Heritage House	-	-	-	-	-	-	-	-	-	-	-	-
Southern CA Presbyterian Homes '91	1,673,000	1,310,000	3,818,000	3,276,000	3,177,000	2,755,000	3,333,000	2,699,000	1,670,000	1,110,000	-	-
Southern California Development Corp	16,678	11,071	216,327	46,199	200,314	77,292	200,314	77,292	115,000	-	-	-
St. Luke's Hospital - S.F.	(931,000)	(1,262,000)	3,809,000	3,330,000	1,301,000	1,220,000	1,304,000	1,079,000	1,366,000	1,694,000	-	-
St. Paul's	492,074	1,817,333	581,287	596,000	451,493	462,007	446,558	457,863	267,650	256,168	-	-
Sunny View Lutheran Home	1,904,567	1,281,600	548,517	536,624	664,145	596,849	623,214	593,582	109,578	120,631	-	-
Sunset Haven	-	(618,053)	-	336,414	-	424,115	-	427,237	-	95,000	-	-
Tahoe Forest Hospital	1,555,677	2,550,684	2,517,930	2,313,322	664,537	715,574	483,511	562,840	895,000	855,000	-	-
The Arc of San Diego and Arc San Diego Foundation	(212,322)	213,811	400,889	410,551	655,688	686,957	695,630	708,652	289,796	135,000	-	-
The Asian Americans for Community Involvement of Santa Clara County, Inc.	188,149	(122,734)	339,847	333,033	428,302	443,440	477,888	492,540	267,485	337,871	-	-
The H.E.L.P. Group	405,547	146,526	805,251	648,929	822,174	932,911	822,174	895,533	202,871	191,905	-	-
The Jeffrey Foundation	(117,751)	20,874	77,268	71,501	78,028	60,480	78,028	60,480	29,760	44,737	-	-
The Peg Taylor Center for Adult Healthcare (Innovative Health Care Services)	36,243	69,198	27,673	26,477	32,062	31,828	32,062	31,828	10,000	10,000	-	-
Thessalonika Family Services	161,962	68,449	49,996	67,593	88,505	98,463	88,505	98,463	51,838	46,197	-	-
Third Floor		**74,263**		**115,585**		**349,734**		**247,695**		**59,167**		
Third Floor '91	-	-	-	-	-	-	-	-	-	-	-	-
Third Floor '93	-	-	-	-	-	-	-	-	-	-	-	-
True to Life Children's Services	18,194	(36,919)	103,571	116,090	109,972	117,559	109,972	117,559	35,000	409,020	-	5,308
Tulare District Hospital	490,736	533,466	2,176,132	2,223,379	908,800	1,007,004	908,800	1,007,004	420,651	488,828	348,711	345,950
United Cerebral Palsy Assoc. of OC	(64,856)	(35,092)	86,368	78,395	53,413	52,383	53,413	52,383	10,000	10,000	-	-
United Health Center of S.J. Valley	126,456	125,320	291,495	306,517	130,016	162,558	130,016	162,558	153,123	347,302	-	-
Verdugo Mental Health Center	(109,226)	(118,923)	121,274	116,022	118,465	125,548	118,465	125,548	21,973	22,532	-	-
Valleycare Health System (VHS)	**728,000**	**(1,130,000)**	**4,811,000**	**4,860,000**	**3,970,000**	**4,135,000**	**3,442,000**	**3,658,000**	**3,256,000**	**11,580,000**	-	-
Valley Memorial Hospital	-	-	-	-	-	-	-	-	-	-	-	-
VHS-Valleycare Hospital	-	-	-	-	-	-	-	-	-	-	-	-
VHS-Valleycare Hospital	-	-	-	-	-	-	-	-	-	-	-	-
Victor Valley Comm. Hospital	(449,377)	569,791	2,982,301	3,087,584	896,000	1,051,000	955,477	933,596	295,000	270,000	798,482	1,231,062
Villa View Comm. Hosp. Inc.	**(381,691)**	**(624,443)**	**516,941**	**551,062**	**1,203,755**	**1,237,608**	**1,250,861**	**1,268,461**	**14,351,292**	**14,938,972**	-	-
Villa View Comm. Hosp. Inc. '91	-	-	-	-	-	-	-	-	-	-	-	-
Villa View Comm. Hosp. Inc. '92	-	-	-	-	-	-	-	-	-	-	-	-
Walden House, Inc.	75,109	(7,820)	480,963	318,913	610,417	573,301	610,417	627,889	248,646	282,889	-	-
Walker Senior Housing Corp.	**(1,838,339)**	**(1,003,284)**	**1,574,995**	**759,827**	**1,136,344**	**1,313,749**	**1,161,991**	**1,165,257**	**376,161**	**354,411**		
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)	-	-	-	-	-	-	-	-	-	-	-	-
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)	-	-	-	-	-	-	-	-	-	-	-	-
Watsonville Community Hospital	**(5,469,000)**	**1,542,000**	**2,207,000**	**2,239,000**	**2,006,000**	**1,384,000**	**1,255,000**	**1,591,000**	**226,000**	-	**350,000**	**228,000**
Watsonville Community Hospital '95	-	-	-	-	-	-	-	-	-	-	-	-
Watsonville Community Hospital '96	-	-	-	-	-	-	-	-	-	-	-	-
Watts Health Foundation Inc.	6,011,000	(7,968,000)	2,907,000	2,617,000	431,000	420,000	478,000	431,000	599,000	572,000	-	-
West Oakland Community	-	-	-	-	-	-	-	-	-	-	-	-
West Oakland Health Council	143,316	128,189	455,472	397,055	155,549	218,069	155,549	218,069	65,745	54,444	-	-
West Side Dist. Hospital	(701,194)	(1,079,385)	361,429	381,408	396,049	379,134	419,289	424,537	108,140	153,082	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	17		18		19		20	
	Sinking Fund Payment		Total Debt Service		Total Income Debt Service Ratio		Cash Flow Debt Service Ratio	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996
AVCC-Apple Valley Retirement Care Center	-	-	727,296	724,963	0.75	0.69	1.24	1.25
ACC-Avenues to Mental Health	-	-	-	677,372	-	0.99	-	1.46
ACC-Miramonte Mental Health Services	-	-	-	219,119	-	0.89	-	1.48
Advent Group Ministries Inc.	-	-	85,186	82,319	0.30	1.59	1.04	2.19
AIDS Healthcare Foundation	-	-	**963,203**	**759,719**	**0.83**	**0.78**	**1.46**	**1.52**
AIDS Healthcare Foundation '92			-	-	-	-	-	-
AIDS Healthcare Foundation '88			-	-	-	-	-	-
AIDS Healthcare Foundation-Lion House			-	-	-	-	-	-
AIDS Project - Los Angeles	-	-	776,864	769,253	(0.58)	(1.29)	0.86	(0.63)
Airport Marina Counseling Service	-	-	60,238	60,368	0.97	(0.50)	1.11	(0.37)
Aldea, Inc.	-	-	78,666	82,001	6.07	1.35	6.59	1.82
Alderly, Inc.	-	-	153,320	152,841	6.33	3.43	8.04	5.21
Alliance for Community Care (ACC)	-	-	858,671	896,491	0.64	0.97	1.26	1.46
Alta Med Health Services Corporation	-	-	818,614	518,577	(3.13)	1.36	(2.36)	2.49
Ararat Homes of Los Angeles, Inc.	105,000	95,000	554,319	551,025	0.64	4.53	1.93	5.79
Asian Community SNF (Asian Comm. Care Center of Sac. Vly)	90,000	85,000	262,240	261,352	2.08	2.26	2.72	2.87
Asian Health Services, Inc.	-	-	546,095	163,602	0.68	4.44	1.15	5.47
Atascadero Committee for Education DBA: Escuela del Rio	-	-	37,656	32,605	3.58	1.67	4.32	2.51
Atherton Baptist Homes	-	-	928,307	1,005,513	1.57	1.39	2.65	2.30
Bay Harbor Hospital	-	-	1,346,360	1,157,554	3.16	4.28	4.75	6.05
Beacon House Association	-	-	166,410	162,681	2.12	2.13	2.36	2.37
Becoming Independent	-	-	127,167	93,663	4.77	5.57	5.66	6.62
Behavioral Health Services	-	-	957,726	981,671	1.23	0.83	1.62	1.21
Bi-Bett Corporation	-	-	143,674	68,594	0.93	2.82	1.57	3.87
Big Valley Medical Services, Inc.	-	-	79,998	81,368	1.28	1.63	1.69	2.01
Butte Valley - Tulelake Rural Health Projects, Inc.	-	-	114,020	87,479	(0.16)	(0.93)	0.32	(0.29)
California Autism Foundation, Inc.	-	-	740,557	414,885	0.75	0.56	0.95	0.93
California Lutheran Homes (CLH)	-	-	1,372,145	1,364,427	0.77	0.85	1.71	1.81
California Odd Fellows Housing of NAPA, Inc. (The Meadows of Napa)	1,187,318	1,057,619	2,554,862	2,017,478	0.47	0.63	0.76	0.96
Canyon Acres Children's Services, Inc.	-	-	93,980	93,570	(0.60)	(0.98)	0.26	(0.03)
Casa de las Campanas	-	-	4,765,385	18,356,871	1.14	0.26	1.49	0.35
Casa Dorinda	-	-	1,522,230	1,465,292	0.81	0.93	1.74	1.78
Center for AIDS Research, Education and Services	-	-	2,520	2,765	276.89	8.01	282.63	14.63
Central Coast Neurobehavorial Center	-	-	105,715	49,251	0.83	3.05	1.17	3.67
Central Valley Indian Health, Inc.	-	-	178,928	177,362	0.54	1.72	0.96	2.15
Channing House	-	-	815,080	816,500	2.11	2.20	2.63	2.68
CHCCC-Nipomo Community	-	-	-	-	-	-	-	-
CHCW&SC-Mercy McMahon Terrace	-	-	109,993,000	92,995,000	1.04	2.60	3.09	4.57
Children Youth and Family Services (Lompoc Hospital District)	-	-	851,539	551,481	(2.25)	1.47	(0.39)	4.24
Children's Institute International	-	-	443,555	440,326	8.09	1.80	9.14	2.83
Clare Foundation, Inc.	-	-	191,874	193,229	0.98	0.61	1.70	1.30
CLH-Carlsbad by the Sea	-	-	-	-	-	-	-	-
Clinicas de Salud del Valle de Salinas	-	-	336,961	336,812	0.65	1.17	1.25	1.75
Clinicas de Salud/Pueblo	-	-	173,310	216,467	1.36	0.77	2.65	1.80
Clinicas del Camino Real	-	-	**1,703,178**	**721,752**	**0.76**	**(0.13)**	**1.00**	**0.37**
Clinicas del Camino Real '90								
Clinicas del Camino Real '93								
Community Church Retirement Center DBA: The Redwoods	-	-	434,600	498,015	0.97	1.00	1.76	1.67
Community Health Centers of the Central Coast (CHCCC)	-	-	251,539	257,894	(23.61)	(20.56)	(22.79)	(19.79)
Community Medical Centers, Inc.	-	-	300,277	262,729	1.28	(0.05)	2.04	0.72
Corcoran District Hospital	-	-	-	554,214	-	(2.00)	-	(1.49)
DCHC-Urgent Care	-	-	112,215	156,157	1.55	1.47	2.53	2.14
Del Norte Clinics, Inc. (DNC)	-	-	**351,176**	**565,634**	**1.49**	**0.53**	**2.06**	**0.98**
DNC-Lindhurst Family Health Center								
DNC-Orland Family Health Center								
Desarrollo Familiar	-	-	8,779	9,975	1.59	1.70	2.54	2.56

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	17		18		19		20	
	Sinking Fund Payment		Total Debt Service		Total Income Debt Service Ratio		Cash Flow Debt Service Ratio	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996
Drug Abuse Alternatives Center	-	-	167,984	205,123	1.14	0.72	1.63	1.10
East Bay Agency for Children	-	-	26,489	26,400	6.97	5.05	9.30	7.38
Easter Seal Society	-	-	744,575	668,856	0.27	(0.22)	0.39	(0.07)
Eastfield Ming Quong	-	-	683,589	715,469	4.47	0.17	5.45	1.10
Eden Hospital Health Services Corporation (Baywood Court)	-	-	1,319,461	1,809,374	1.27	0.93	2.03	1.46
El Proyecto del Barrio, Inc.	-	-	-	158,485	0.00	2.54	0.00	3.20
Eskaton and Subsidiaries	**-**	**-**	**5,494,000**	**5,475,000**	**0.71**	**0.95**	**1.49**	**1.71**
Eskaton Properties	-	-	-	-	*0.00*	*0.00*	*0.00*	*0.00*
Eskaton Village	-	-	-	-	*0.00*	*0.00*	*0.00*	*0.00*
Exceptional Children's Foundation	-	-	419,098	1,015,686	3.27	2.10	4.08	2.48
FACT Retirement Services	**-**	**-**	**2,451,596**	**1,997,000**	**0.60**	**0.36**	**1.07**	**0.88**
FACT - Villa Gardens	-	-	-	-	-	-	-	-
FACT - Villa Gardens (Ser. A)	-	-	-	-	-	-	-	-
FACT - Villa Gardens (Ser. B)	-	-	-	-	-	-	-	-
FACT - Vista del Monte	-	-	-	-	-	-	-	-
FACT - Vista del Monte	-	-	-	-	-	-	-	-
Fallbrook Hospital	-	-	-	1,126,249	0.00	(0.34)	0.00	0.39
FamiliesFirst, Inc.	-	-	978,217	970,036	2.32	0.53	2.83	1.07
Family Health Foundation (FHF)	-	-	508,675	390,734	0.13	(5.21)	1.15	(4.28)
Friends Association of Services for the Elderly (FASE)	**-**	**-**	**393,642**	**441,286**	**0.79**	**1.09**	**1.62**	**1.80**
FASE-Friends House	-	-	-	-	-	-	-	-
FASE-Friends House	-	-	-	-	-	-	-	-
Feedback Foundation, Inc.	-	-	172,727	159,660	1.00	0.82	1.81	1.82
Fellowship Homes, Inc. (Casa de Modesto)	-	-	529,518	516,997	1.16	1.03	1.70	1.59
Gardner Family Care Corp.			**253,654**	**237,156**	**2.05**	**2.66**	**2.52**	**3.16**
FHF-Gardner Family Health Network, Inc.			-	-	-	-	-	-
Gardner Family Care Corporation (Gardner Health Center)			-	-	-	-	-	-
Gateway Center of Monterey County, Inc.	-	-	109,293	108,188	0.24	1.01	1.05	1.57
Gold Country Health, Bixby, Mayflower RHF, Mayflower Gardens	**-**	**-**	**3,415,790**	**3,404,194**	**8.60**	**6.27**	**9.17**	**6.68**
GCH - Bixby Knolls Towers	-	-	-	-	-	-	-	-
GCH - Mayflower Gardens	-	-	-	-	-	-	-	-
Giarretto Institute	-	-	112,988	82,024	(1.18)	(0.99)	(0.17)	0.27
Guadalupe Homes			**410,307**	**307,282**	**2.24**	**5.72**	**3.79**	**7.45**
Guadalupe Homes '91			-	-	-	-	-	-
Guadalupe Homes '94			-	-	-	-	-	-
Golden Valley Health Center	**66,460**	**66,460**	**827,928**	**723,921**	**0.85**	**0.36**	**1.47**	**1.03**
GVHC-Childs Avenue Clinic	-	-	-	-	-	-	-	-
GVHC-West Modesto Medical Clinic	-	-	-	-	-	-	-	-
Hazel Hawkins Memorial Hospital	-	-	1,122,582	1,148,572	2.27	1.51	3.05	2.40
Henrietta Weill Memorial	-	-	117,240	126,187	0.14	0.64	0.82	1.19
Henry Mayo Newhall Memorial Hospital (Santa Clarita Health Care Association & Affiliates)	-	-	5,113,780	5,496,126	1.15	0.89	1.89	1.57
Henry Ohlhoff House	-	-	85,911	86,303	1.32	1.94	2.53	2.97
Hermandad Mexican Nacional, Inc.	-	-	952,551	1,036,351	0.23	0.66	0.56	1.05
Home for Guiding Hands Corporation	269,422	-	529,371	235,523	0.81	0.65	1.29	1.82
Home for Jewish Parents	-	-	100,000	-	6.75	-	6.75	0.00
Hope Rehabilitation Service	-	-	545,452	609,360	(0.10)	0.46	0.81	1.18
Horizon Services, Inc.	-	-	100,626	83,356	1.79	1.01	2.28	1.76
Humboldt Open Door Clinic	-	-	214,053	231,642	0.00	0.67	0.60	1.33
Interim, Inc. and Affiliates	-	-	128,948	142,995	4.26	2.36	5.55	3.51
Irwin Memorial Blood Center (Blood Centers of the Pacific)	-	-	632,620	679,067	(3.18)	1.13	(1.60)	2.22
Isla Vista Community Clinic	-	-	42,952	42,834	(0.74)	(1.57)	(0.10)	(0.90)
Janus of Santa Cruz & Janus Foundation, Inc.	-	-	2,613	1,452	11.34	40.55	25.76	55.27
John C. Fremont Healthcare District	-	-	524,582	212,548	(0.17)	(2.73)	0.33	(1.66)
Kaiser House, Inc.			**177,668**	**180,390**	**0.75**	**1.08**	**1.38**	**1.76**
Kaiser House, Inc. '91	-	-	-	-	-	-	-	-
Kaiser House, Inc. '92	-	-	-	-	-	-	-	-

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	17		18		19		20	
	Sinking Fund Payment		Total Debt Service		Total Income Debt Service Ratio		Cash Flow Debt Service Ratio	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996
Keiro Nursing Home	-	-	893,644	896,506	0.11	0.58	0.74	1.16
Kern Valley Healthcare District	-	-	2,117,823	2,081,732	0.56	0.69	1.22	1.35
La Palma Hospital Medical Center	-	-	2,793,000	2,860,000	(0.43)	(0.23)	0.36	0.51
Lodi Memorial Hospital	-	-	1,966,000	1,977,000	2.25	2.44	3.75	4.15
Long Beach Youth Centers, Inc.	-	-	113,304	151,691	9.64	4.10	12.52	4.91
Los Angeles Centers for Alcohol & Drug Abuse	-	-	0	85,576	0.00	0.14	0.00	0.16
Lutheran Home for the Aging of Humboldt County, CA, Inc. (St. Luke Manor)	-	-	56,236	45,825	1.32	(0.90)	3.83	1.96
Lytton Gardens, Inc. (Lytton Gardens Conv. Hospital)	-	-	1,257,633	886,580	1.01	1.18	1.25	1.50
Madera Community Hospital	-	-	1,029,197	1,023,864	5.50	1.73	6.94	3.17
Marshall Hospital			**2,309,160**	**3,295,500**	**0.74**	**(0.44)**	**3.35**	**1.31**
Marshall Hospital '98			-	-	-	-	-	-
Marshall Hospital '93			-	-	-	-	-	-
Mary - Lind Foundation	-	-	74,340	248,810	0.00	(0.46)	0.00	0.05
Mayers Memorial Hospital	-	-	947,309	922,913	0.74	0.62	1.44	1.36
Mendocino Coast Hospital District	-	-	434,505	478,452	3.27	1.90	5.16	3.34
Mental Health Systems, Inc.	-	-	65,740	97,435	6.13	2.14	7.26	2.82
Mexican American Community Services Agency (M.A.C.S.A.)	-	-	200,688	201,438	0.13	0.30	1.06	1.33
MidValley Recovery Services, Inc.	-	-	104,025	111,795	0.92	1.14	1.31	1.51
Milestones Human Services, Inc.	-	-	151,221	17	(0.18)	Deleted	0.01	Deleted
Modoc County Medical Center	-	-	264,192	241,952	(3.52)	(2.11)	(2.65)	(1.31)
North County Health Services/San Marcos Community	-	-	506,476	286,210	1.46	0.29	2.26	1.29
Northcountry Clinic for Women & Children	-	-	68,681	86,007	1.03	1.17	1.62	1.70
Olive Crest Treatment Center	180,000	180,000	803,771	678,984	1.39	1.19	1.85	1.62
On Lok Community Housing & On Lok Senior Health Services (On Lok, Inc.)	-	-	440,622	438,551	2.25	5.99	3.34	6.78
Oroville Hospital, Inc.	-	-	2,108,602	1,940,683	0.35	0.16	1.19	1.20
Pacific Clinics	-	-	509,485	499,994	0.73	1.06	1.52	1.75
Pacific Homes	-	-	4,108,995	3,846,774	1.49	1.73	2.68	2.89
Peninsula Children's Services (PCC / Zosta)	-	-	31,368	31,000	7.19	1.18	8.84	2.81
Principio, Inc.	156,000	156,000	391,159	367,672	1.05	1.03	1.35	1.42
Prototypes (Prototypes Women's Center)	-	-	221,288	223,744	1.21	0.41	1.98	1.17
Redlands Community Hospital			**5,179,698**	**5,248,357**	**1.40**	**1.32**	**2.31**	**2.21**
Redlands Community Hospital '87			-	-	-	-	-	-
Redlands Community Hospital '98			-	-	-	-	-	-
Redwood Senior Homes and Services	-	-	**1,217,912**	**2,463,667**	**0.57**	**(0.22)**	**1.14**	**0.20**
Redwood Terrace Lutheran Home	-	-	-	-	-	-	-	-
Redwood Town Court	-	-	-	-	-	-	-	-
Redwoods R.H.C.	-	-	119,819	109,468	(0.56)	1.22	0.05	1.90
Sacramento Medical Foundation (Blood Center)	-	-	887,301	873,473	(0.97)	(0.89)	1.21	1.14
Salud Para La Gente			-	**308,231**	**0.00**	**0.65**	**0.00**	**1.01**
Salud Para La Gente '96	-	-	-	-	-	-	-	-
Salud Para La Gente '92	-	-	-	-	-	-	-	-
San Benito Health Foundation	-	-	203,986	199,631	1.89	2.45	2.47	3.00
San Diego Christian Foundation, Inc./Canyon Villas Retirement Community	-	-	763,305	1,083,807	0.78	0.90	1.22	1.38
San Francisco Towers (Episcopal Homes Foundation)	-	-	3,860,245	3,936,903	1.09	0.83	1.71	1.41
San Gabriel Valley Medical Center	-	-	2,985,000	3,595,000	0.48	0.89	2.00	2.10
San Joaquin Health Center	-	-	93,048	88,235	2.04	3.61	2.81	4.27
Sanctuary House of Santa Barbara	-	-	232,271	1,565,939	(0.04)	(0.11)	0.35	(0.07)
Santa Barbara Medical Foundation	-	-	1,305,269	1,294,807	4.88	0.20	6.43	1.82
Selma District Hospital	-	-	423,275	425,638	(0.44)	(0.41)	1.25	1.38
Seneca Residential and Date Treatment Center for Children (Seneca Center for children)	-	-	35,809	30,456	4.67	10.40	9.08	15.20
Sequoia Community Health Foundation			**386,416**	**479,743**	**1.49**	**2.17**	**2.18**	**2.74**
Sequoia Community Health Foundation '86			-	-	-	-	-	-
Sequoia Community Health Foundation '88			-	-	-	-	-	-
Sequoia Community Health Foundation '90			-	-	-	-	-	-
Sequoia Community Health Foundation '93			-	-	-	-	-	-
Sherman Oaks Health System (formerly Triad Healthcare)	-	-	961,000	2,149,000	1.57	0.89	4.31	1.76

CAL-MORTGAGE LOAN INSURANCE DIVISION
CALIFORNIA HEALTH FACILITY CONSTRUCTION LOAN INSURANCE PROGRAM
FINANCIAL INFORMATION

PORTFOLIO AS OF JUNE 30, 1998

1	17		18		19		20	
	Sinking Fund Payment		Total Debt Service		Total Income Debt Service Ratio		Cash Flow Debt Service Ratio	
Health Facility	1997	1996	1997	1996	1997	1996	1997	1996
Sierra View District Hospital			**3,853,571**	**3,735,803**	**(0.45)**	**1.01**	**0.88**	**1.92**
Sierra View District Hospital '96	-	-	-	-	-	-	-	-
Sierra View District Hospital '92	-	-	-	-	-	-	-	-
Sierra View Homes	-	-	287,440	160,339	1.49	1.54	2.13	2.04
Social Model Recovery Systems	-	-	78,616	14,340	4.15	2.08	4.90	8.06
Social Science Services	-	-	215,243	264,607	1.29	0.06	1.57	0.31
Solheim Lutheran Home	-	-	692,299	696,269	0.63	0.85	1.28	1.47
Solvang Lutheran Home	-	-	435,393	438,713	1.23	1.31	2.16	2.19
Sonoma Valley Hospital District	-	-	1,436,200	1,434,200	(0.18)	0.21	1.00	1.40
South Bay Alcoholism Services	-	-	116,757	115,631	1.26	1.05	1.61	1.39
Southern CA Alcohol & Drug Programs			**325,690**	**302,533**	**1.53**	**2.56**	**1.94**	**2.93**
Southern CA Alcohol & Drug Programs '93	-	-	-	-	-	-	-	-
Southern CA Alcohol & Drug Programs '97	-	-	-	-	-	-	-	-
Southern CA Alcohol & Drug Programs-Heritage House	-	-	-	-	-	-	-	-
Southern CA Presbyterian Homes '91	-	-	4,847,000	3,865,000	1.03	1.04	1.82	1.88
Southern California Development Corp	-	-	315,314	77,292	0.69	1.14	1.37	1.74
St. Luke's Hospital - S.F.	-	-	2,667,000	2,914,000	0.14	(0.06)	1.57	1.08
St. Paul's	-	-	719,143	718,175	1.31	3.17	2.11	4.00
Sunny View Lutheran Home	-	-	773,723	717,480	3.27	2.61	3.98	3.36
Sunset Haven	-	-	-	519,115	-	(0.37)	-	0.28
Tahoe Forest Hospital	-	-	1,559,537	1,570,574	1.31	1.98	2.92	3.46
The Arc of San Diego and Arc San Diego Foundation	-	-	945,484	821,957	0.51	1.12	0.94	1.62
The Asian Americans for Community Involvement of Santa Clara County, Inc.	-	-	695,787	781,311	0.96	0.47	1.45	0.90
The H.E.L.P. Group	-	-	1,025,045	1,124,816	1.20	0.93	1.98	1.50
The Jeffrey Foundation	-	-	107,788	105,217	(0.37)	0.77	0.35	1.45
The Peg Taylor Center for Adult Healthcare (Innovative Health Care Services)	-	-	42,062	41,828	1.62	2.42	2.28	3.05
Thessalonika Family Services	-	-	140,343	144,660	1.78	1.15	2.14	1.62
Third Floor				**408,901**	**0.00**	**0.79**	-	**1.07**
Third Floor '91			-	-	-	-	-	-
Third Floor '93			-	-	-	-	-	-
True to Life Children's Services	-	-	144,972	531,887	0.88	0.15	1.60	0.37
Tulare District Hospital	-	-	1,678,162	1,841,782	0.83	0.84	2.13	2.04
United Cerebral Palsy Assoc. of OC	-	-	63,413	62,383	(0.18)	0.28	1.18	1.53
United Health Center of S.J. Valley	-	-	283,139	509,860	0.91	0.56	1.94	1.17
Verdugo Mental Health Center	-	-	140,438	148,080	0.07	0.04	0.93	0.83
Valleycare Health System (VHS)	-	-	**7,226,000**	**15,715,000**	**0.58**	**0.16**	**1.24**	**0.47**
Valley Memorial Hospital	-	-	-	-	-	-	-	-
VHS-Valleycare Hospital	-	-	-	-	-	-	-	-
VHS-Valleycare Hospital	-	-	-	-	-	-	-	-
Victor Valley Comm. Hospital	-	-	1,989,482	2,552,062	0.25	0.59	1.75	1.80
Villa View Comm. Hosp. Inc.			**15,555,047**	**16,176,580**	**0.06**	**0.04**	**0.09**	**0.07**
Villa View Comm. Hosp. Inc. '91			-	-	-	-	-	-
Villa View Comm. Hosp. Inc. '92			-	-	-	-	-	-
Walden House, Inc.	-	-	859,063	856,190	0.80	0.72	1.36	1.10
Walker Senior Housing Corp.			**1,512,605**	**1,467,160**	**(0.45)**	**0.10**	**0.59**	**0.55**
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)			-	-	-	-	-	-
Walker Community Hospitals, Inc. (Sierra Sunrise Lodge)			-	-	-	-	-	-
Watsonville Community Hospital			**2,582,000**	**1,612,000**	**(1.63)**	**1.94**	**(0.78)**	**3.33**
Watsonville Community Hospital '95			-	-	-	-	-	-
Watsonville Community Hospital '96			-	-	-	-	-	-
Watts Health Foundation Inc.	-	-	1,030,000	992,000	6.10	(7.60)	9.12	(4.96)
West Oakland Community	-	-	-	-	-	-	-	-
West Oakland Health Council	-	-	221,294	272,513	1.35	1.27	3.41	2.73
West Side Dist. Hospital	-	-	504,189	532,216	(0.56)	(1.23)	0.16	(0.51)